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# Preliminary Program



National  
Agricultural  
Outlook  
Conference

December  
17, 18 and 19

U.S.  
Department of  
Agriculture

PROCUREMENT SECTION  
CURRENT SERIAL RECORDS

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Monday A.M. December 17

General Session

Thomas Jefferson Memorial Auditorium  
USDA South Building

1974 Outlook

Don Paarlberg  
Director, Agricultural Economics, USDA, Chairman

- 8:45 Opening of Conference  
9:00 Speech by Secretary Earl L. Butz  
9:30 General Economic Outlook - Gary Seevers, Member, Council of  
Economic Advisers  
10:00 General Economic Outlook as Seen From the Wharton School -  
George R. Green, Executive Director, Wharton Econometric  
Forecasting Associates, Inc.  
10:30 Recess  
10:50 Panel Discussion  
Quentin M. West, Administrator, ERS - Moderator  
Gary Seevers, Member, Council of Economic Advisers  
George R. Green, Executive Director, Wharton Econometric  
Forecasting Associates, Inc.  
Dawson Ahalt, Cost of Living Council  
Sheldon Stahl, Research Officer and Economist, Federal  
Reserve Bank of Kansas City  
11:45 Adjourn for Lunch

Monday P.M. December 17

General Session

Thomas Jefferson Memorial Auditorium

Quentin M. West  
Administrator, ERS, USDA, Chairman

- 1:00 Agricultural Outlook 1974 - C. Kyle Randall, Outlook and Situation  
Officer, ERS, USDA  
1:30 U.S. Agricultural Trade Outlook 1974 - David Hume, Administrator,  
FAS, USDA  
2:00 Discussion  
2:30 Recess  
3:00 World Agricultural Situation - Carroll G. Brunthaver, Assistant  
Secretary for International Affairs and Commodity Programs, USDA  
3:30 Food Security - FAO (official to be announced)  
4:00 Discussion  
4:45 Adjournment

Tuesday A.M. December 18

General Session

Thomas Jefferson Memorial Auditorium

Kenneth R. Farrell  
Deputy Administrator, ERS, USDA, Chairman

- 8:45 Outlook for Farming Inputs - Panel - John Berry, ERS, USDA, Moderator  
Energy Fertilizer Transportation Technology and Use of Inputs



- 10:00 Discussion
- 10:30 Recess
- 10:45 Agriculture's Capacity to Produce - (to be announced)
- 11:15 Discussion
- 11:30 Topic and Speaker to be announced
- 12:00 Discussion
- 12:15 Adjourn for Lunch

Tuesday P.M. December 18

Commodity Session

Thomas Jefferson Memorial Auditorium

Livestock and Feed

Chairman - to be announced

- 1:15 Meat Animals Outlook - Richard Crom, ERS, USDA
- 1:45 Poultry Outlook - William Cathcart, ERS, USDA
- 2:05 Feed Outlook - James Naive, ERS, USDA
- 2:30 Panel Discussion and Comments from the floor
  - Speakers and Discussants
  - Donald Novotny, FAS, USDA
  - Orville Overboe, ASCS, USDA
  - James Hartman, FAS, USDA
  - Will Walther, SRS, USDA
  - Michael Newborg, AMS, USDA
  - O. C. Hester, AMS, USDA
- 3:00 Intermission

Dairy

Roger H. Wilkowske  
Extension Economist, ES, USDA, Chairman

- 3:30 Dairy Outlook - Robert R. Miller, ERS, USDA
- 3:50 Panel Discussion and Comments from the floor
  - Speakers and Discussants
  - ASCS
  - AMS
  - FAS
- 4:45 Adjournment

Tuesday P.M. December 18

Family Living Session

Room to be announced

- 1:15 - 4:45 Family Living Session  
Program to be announced

Wednesday A.M. December 19

Commodity Session

Thomas Jefferson Memorial Auditorium

Oilseeds, Fats and Oils

Joseph R. Corley  
Extension Economist, ES, USDA, Chairman

- 8:45 Outlook - George Kromer, ERS, USDA  
 9:15 Panel Discussion and Comments from the floor  
     Speakers and Discussants  
         Stan Mehr, FAS, USDA  
         Malcolm Maclay, ASCS, USDA  
 10:00 Intermission

Food Grains

Sharon Hoobler  
ES, USDA, Chairman

- 10:15 Wheat Outlook - Francis Gomme, ERS, USDA  
 10:35 Rice Outlook - James Naive, ERS, USDA  
 10:50 Panel Discussion and Comments from the floor  
     Speakers and Discussants  
         EMS  
         FAS  
         ASCS  
 12:00 Adjourn for Lunch

Wednesday A.M. December 19

Family Living Session

Room to be announced

- 8:45 - 12:00 Family Living Session  
 Program to be announced

Wednesday P.M. December 19

Commodity Session

Thomas Jefferson Memorial Auditorium

Cotton and Other Fibers

Jasper Jernigan  
Extension Economist, University of Tennessee

- 1:15 Outlook - Russell Barlowe, ERS, USDA  
 1:35 Panel Discussion and Comments from the floor  
     Speakers and Discussants  
         William Shotner, ASCS, USDA  
         F. Reiter Webb, FAS, USDA  
         Geron Rathell, EMS, USDA  
         Alvin Deck, AMS, USDA  
         Donald May, American Textile Manufacturing Institute

## Fruits and Vegetables

Rm. , South Bldg.

John T. Porter  
Extension Economist, ES, USDA, Chairman

- 1:15 Fruits and Tree Nuts - Andrew Duymovic, ERS, USDA  
 1:35 Panel Discussion and Comments from the floor  
     Speakers and Discussants  
         FAS  
         AMS  
         Others  
 1:55 Vegetables and Potatoes - Charles Porter, ERS, USDA  
 2:15 Panel Discussion and Comments from the floor  
     Speakers and Discussants  
         FAS  
         AMS  
         Others

## Forest Products

Rm. , South Bldg.

Chairman - to be announced

- 2:15 Outlook - (speaker to be announced), FS, USDA  
 2:35 Informal Discussion

## Sugar

Rm. , South Bldg.

Chairman - to be announced

- 3:00 Domestic Outlook - (speaker to be announced), ASCS, USDA  
 3:20 International Outlook - (speaker to be announced), FAS, USDA  
 3:30 Other topics - (to be announced), ERS, USDA  
 3:45 Panel Discussion and Comments from the floor

## Tobacco

Rm. , South Bldg.

Chairman - to be announced

- 3:00 Outlook - Robert H. Miller, ERS, USDA  
 3:20 (Additional topic) to be announced  
 3:40 Panel Discussion and Comments from the floor  
     Speakers and Discussants  
         FAS  
         ARS  
         AMS

Wednesday P.M. December 19

Family Living Session

Room to be announced

1:15 - 4:45 Family Living Session  
Program to be announced

Wednesday P.M. December 19

Credit Session

Thomas Jefferson Memorial Auditorium

Farm Credit

Chairman - to be announced

2:30 Outlook - (speaker to be announced), ERS, USDA  
2:50 Panel Discussion and Comments from the floor  
Speakers and Discussants (to be announced)

PLANT RECORD SECTION  
CURRENT SERIAL RECORDS

JUL 25 1971

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IT'S A NEW BALL GAME

DEC 25 '73

Farming just ain't what it used to be--even as recently as one year ago. Neither is the farm input picture, or the farm export market, or the political climate.

We have reached a significant turning point in American agriculture. We are in a new ball game, and that is clearly the overriding factor in the outlook for 1974.

In the last eighteen months, we have shifted from concern over too much farm production to the question of potential food and fiber shortages both here and abroad.

Realistically, there is no danger of food shortage in this country. The geography, climate, and resources of this nation make our crops virtually disaster proof. We need not fear having too little, nor do we need to wring our hands over means of disposing of too much.

There is great uneasiness internationally. Principal concern is over whether there will be enough wheat to meet world needs until the new harvest in the Northern Hemisphere comes in next year. World rice demand is up too. It is doubtful that excessive food grain supplies will soon plague us again.

There is also concern over whether there will be enough feed grains to meet the needs of the world's expanding livestock production, both in the short run and in the long run. While livestock production in this country is still recovering from the severe economic distortions of earlier this year, livestock production is increasing at an accelerated rate in other key countries.

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Address by Secretary of Agriculture Earl L. Butz to the National Agricultural Outlook Conference, USDA Jefferson Auditorium, Washington, D.C., December 17, 1973, 9:00 a.m., EST.

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For instance, Western Europe has a new pricing policy designed to stimulate the growth of meat production. Russia's plans to improve the Soviet diet are well known--and one bit of information our scientific exchange team recently brought back from Russia was the great potential which exists for expanding Russian poultry production. Expanding world meat and poultry production, in Europe especially, must be based--in part at least--on imported feed concentrates. It seems highly unlikely that feed grains and protein meal will pile up in America.

The cotton industry is being challenged now to meet fiber needs both here and abroad. For the first time in many, many years, our concern is not one of competition with man-made fiber. Rather, it is one of having enough natural fiber to meet demand. Man-made fibers are in fact suffering from severe constraints on the basic raw materials and energy required in fiber manufacture. Our cotton problem is no longer one of having too much.

This is not the first time we have felt we were in a new ball game with respect to growing demand--but this time it is real.

We felt that way during World War I. That was short-lived. When the war was over, farmers suffered as they adjusted. Right after World War II broke out, Secretary of Agriculture Claude R. Wickard coined his famous phrase--"Food will win the war ... and write the peace." It may have helped win the war, but it wrote a very uneasy peace--and a difficult adjustment followed for agriculture.

Similar optimism reigned in 1967 when it was argued that we faced a very rapid population growth with only limited food growth. We were quite concerned about those prospects and set out to feed the world--but our concerns turned out to be premature.

We could be premature in our thinking this time--but conditions are different. This is not a war boom--in fact it comes after a war's end. The world now has the best prospects for peace that we have had in the lifetime of most of us.

Affluence is rising in the developed nations--people are eating better, they are shifting to protein foods, they have come to this nation for the basic stuff out of which meat and milk and eggs are made, and they will continue to come to us for it.

If we have a problem in agriculture--it is an input problem.

After years of struggling to find something to do with our output abundance, we now face head-on a tight input situation.

Farm machinery production has not been able to keep pace with demand. There are only 21 eight-hour shifts in a week--and even at that capacity farm machinery manufacturers have been hard-pressed to keep up with orders.

Fertilizer supplies are clearly tight--compounded because Government price controls on fertilizer were retained too long. The Department of Agriculture and the fertilizer industry are doing everything possible to see that ample fertilizer is available now and through the new crop year. But, even with success, fertilizer supplies are going to be tight.

Clearly, we are in the midst of a serious fuel supply situation. It comes at a very critical time for agriculture.

We have projected that 10 million-plus additional acres will be put into production in 1974. Assuming normal use and practices, 1974 fuel needs for agriculture--gasoline, diesel fuel, and liquified petroleum (LP) gas--will be greater than usual at a time when there may be less available.

The President and the Federal Energy Office have assured agriculture high priority among fuel users. For diesel fuel, agriculture has been given one of the very top priorities.

The Federal Energy Office understands that, when farmers need fuel, they generally need it right now. Yesterday it was too wet to work, and tomorrow it may be raining again. The "average" day, or season, or year never arrives in agriculture.

The Department of Agriculture has pulled out all the stops in helping farmers in this situation. We will do all we can to help farmers achieve the increased production we are shooting for despite the tight fuel availability.

Historically, farmers have been the nation's pioneer conservationists--primarily of soil and water. Now, it is no less than the duty of each farmer and each person associated with agriculture to do his best to conserve as much fuel as possible. Agricultural production historically uses only 3 percent of the nation's energy, and generally that is used wisely. Few other industries have been so productive and so efficient. Yet there is more room to save, and we must do so.

A massive USDA campaign is well underway to help farmers find good ways to save fuel in an energy management program. Fuel conservation, if not a passion, has become the hot action program of the Department.

We at USDA will continue to do everything in our power to see that farmers get the fuel they need to accomplish the important farm production needed and expected.



Another significant factor in this new ball game is our complete turnaround in the philosophy of agricultural programs.

After 40 years of increasingly heavy Government involvement in agriculture, we are now making very substantial progress in getting the Government out of agriculture.

For all practical purposes, the Government does not now own any commodities--except some oats in the Upper Midwest. The Government is no longer a major factor in the commodity market. Government-held surpluses no longer hang over the markets as the sword of Damocles--with neither farmers nor the trade knowing when some capricious decision by a Secretary of Agriculture may turn loose a great quantity on the market.

We are returning to farmers increasing freedom to exercise their own judgment in what they plant in response to market signals. The first substantial move in this direction came with the Agriculture Act of 1970--and the Act of 1973 completes nearly an 180-degree turn in the thrust of farm programs. Farmers now plant for markets--not Government storage.

We are well down the road to eliminating one great unknown that has made farm outlook so difficult for 40 years--namely, what will the Government decide tomorrow?

Through the years, skilled professionals have developed reliable techniques for predicting the normal forces of supply and demand, long-term changes in demand-supply relationship, and the response of producers and consumers to those changes. But through 40 years of heavy Government involvement in agriculture, we have never devised a body of rules to accurately predict Governmental decisions affecting prices, production, and markets.

Even those who make those decisions cannot forecast them--because there is no realistic way to appraise the consumer and economic and political pressures, both national and international, to which decision-makers will be subjected.

We seek to keep the Government out of agriculture and place decision-making in the hands of rational entrepreneurs.

My concerns go far beyond decisions by some Secretary of Agriculture with regard to crop production or Government commodity storage. I am also concerned about food price ceilings, export embargoes, and fertilizer price controls. Society has learned the hard way that such measures are counterproductive, and I intend to keep up the fight to minimize any kind of Government manipulation in agriculture.

Turning the business of economic forecasting away from political soothsayers and over to objective scientists will place a new responsibility on those engaged in outlook work.

As Government string-pulling in agriculture is de-emphasized; as decisions affecting individual farmers are returned from the political forum to the marketplace; and as agricultural production decisions move more and more into the hands of individual farmers who are heavy risk-takers--it becomes increasingly important that farmers have the best information we can provide them dealing with economic analysis and forecasting.

This is critical considering their heavy investment in equipment, their heavy commitment of operating capital in production, their need to buy forward to assure themselves adequate supplies of production inputs, and their increasing tendency to sell forward to lock in what would appear at the moment to be a satisfactory price.

Competent, professional economic forecasting will become more important than ever.

There are those who maintain that our outlook work has served its purpose and can be phased out. Just the opposite is true. This is the time when we need to sharpen our tools of economic analysis, to lift our vision over the international horizons, and to exercise more maturity of judgment than ever before as we assess the complex factors influencing market opportunities and responses for our producers.

American agriculture in the years ahead faces perhaps its greatest challenge in history. We must be prepared to meet the needs of our hungry and increasingly discriminating population at home. We must also be prepared to supplement and improve the diets of hundreds of millions of people beyond our shores--in order to fulfill our humanitarian instincts, in order to continue to provide America's principal source of foreign exchange, and in order to continue to be a principal block in the structure of international peace.

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APR 11 '74

FOR RELEASE AT 10:00 A.M. (EST)  
MONDAY, DECEMBER 17, 1973

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REMARKS OF  
GARY L. SEEVERS, MEMBER  
COUNCIL OF ECONOMIC ADVISERS

Before the

NATIONAL AGRICULTURAL OUTLOOK CONFERENCE

U. S. Department of Agriculture  
Washington, D. C.  
December 17, 1973

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GENERAL ECONOMIC OUTLOOK

Exactly three score and ten years ago today the Wright Brothers successfully made man's first air flight. Charles Lindbergh later commented that what began as an art had grown into a science.

Nearly two score years ago, Keynes provided economics with a new framework for examining the short-term performance of a Nation's economy as a whole. What had been, in part, art started to grow into a science. About one score years ago economists began formulating econometric models of the U.S. economy and by the mid-1960's the New Economics had reached its heyday. The business of forecasting the performance of the economy a year or two in advance appeared



to be approaching more and more science and less and less art. The number of major forecasting models in use is now in the teens. On the whole, this activity has reached a high level of precision that contributes to more effective economic policy.

But in the past year forecasting the general economy has become far more than a mechanical exercise. Successful forecasting in the past year has required at a minimum, some artful talent in interpreting the course of events in sectors of the economy that previously had been relatively stable.

During 1973, forecasters found that what happens in the food and agriculture sector can have enormous consequences for general inflation. The Consumer Price Index has increased at an 8.9 percent rate so far this year. Excluding food prices, which have increased at a 22 percent rate, the CPI has increased at a much slower rate of 5 percent.

Forecasters have also found that the U.S. economy cannot be examined in isolation. It has become very closely linked economically with the outside world. Indeed, much of the acceleration of inflation in addition to food prices this year came from worldwide increases in prices of basic industrial materials that we import or export. This phenomenon was, of course, accentuated for us by the depreciation in dollar's exchange rate. And this ties into

the present shortages in our economy. A year ago we were net importers of goods from abroad at an annual rate of \$6 to \$7 billion. By the third quarter of this year we were net exporters at an annual rate of about \$3 billion. That represents nearly a one percent shift in products available to meet demands of American consumers and businessmen. One percent is not a small figure in an economy operating very close to full capacity.

Forecasting must now contend with a third major adjustment -- a scarcity of energy. This is a long-term problem that has been edging into the economic limelight for 2 or 3 years. The Arab embargo on petroleum shipments to the United States has precipitated a serious crisis. Indeed, energy economics has become the major imponderable in assessing the economic outlook for 1974.

These three significant adjustments -- in the food sector, in international economics, and in energy -- have occurred in a short span of time along with a vigorous expansion of our own economy. In the past year employment has increased 3.8 percent -- more than twice the long-term growth -- and the unemployment rate has dropped from 5.5 percent to 4.7 percent.

In short, all these fundamental developments have made forecasting a treacherous enterprise as evidenced by the significant errors in everyone's forecasts lately.

1974 OUTLOOK

An assessment of the 1974 outlook at this time must be made with considerable qualifications. On top of the uncertainty that continues to exist about the food outlook and about possibilities of an acceleration of wage increases, we now have to assess how the economy will react to getting along on less energy, and how it will react to the policies to deal with that crisis.

Like all other forecasters, The Council has been busy revising its forecasts of 1974 in light of the energy embargo which we assume would last the full year. It may not, of course. We have used estimates of the shortage prepared by the Department of the Interior which will themselves be subject to revision as evidence of consumption and production accumulate. The shortfall is projected to be over 3 million barrels of oil per day in the first quarter, or about 17 percent of projected consumption before the embargo. Since petroleum accounts for nearly one-half of total energy, the energy shortfall would be about half as large. Energy consumption is greatest in the winter, so the projected shortfall declines after the first quarter.

The critical variable in our analysis is where the reduction in energy consumption will take place. The Administration's objective is to manage the crisis in order to minimize the



loss of employment and output. This requires insulating the industrial sector from cutbacks that would require plant closings and layoffs, and therefore relatively small cutbacks in energy use. Agriculture and food production is given a high priority. Commercial and business activities would have somewhat larger reductions on the grounds that conservation there will not seriously interfere with economic activity. The largest reductions would come in consumption of energy for home heating, lighting and personal use of gasoline. Another way of stating this objective is that everyone should share in the reduction of energy use rather than having the shortage falling heavily on a small proportion of the population who would otherwise lose their jobs.

Achieving this objective will not be easy. It will require good management and lots of cooperation from Americans because the crisis is a serious one.

The Council's forecast is that the embargo will reduce "real" GNP between 1 and 2 percent below what it would otherwise have been. This translates into real growth of slightly under 1 percent to slightly under 2 in 1974. By standards of 1972 and 1973, when real growth averaged about 6 percent this is quite low. It is also below the 4 percent long-term growth rate of the economy. However,

our forecast does not call for any kind of disastrous reduction of economic activity.

The Council's forecast calls for the unemployment rate to rise 0.3 to 0.6 percent about what it would have been without the embargo. This would put it above 5 percent for the year, but not exceeding 6 percent anytime during the year.

We have not released any forecasts of the inflation rate because there is considerable uncertainty on that score. There can be little doubt that the embargo will add to inflation. Indeed, we believe many forms of energy have become significantly underpriced in this country, even without the embargo, and that some price increases are definitely in order to give incentives to producers and to encourage conservation by consumers as well as business, transportation and industrial users.

Many private forecasters have post-embargo forecasts and these include estimates of inflation for next year. Their forecasts are summarized in the attached table. Their median forecast of real growth is 1.5 percent, with the lowest at 0.6 percent. The Council's forecast is neither more optimistic nor more pessimistic than those of private forecasters. I am sure they would join us, however, in acknowledging the great uncertainty that the oil embargo has brought to next year's outlook. From our standpoint

great uncertainty means that all elements of economic policy must be ready to adjust to unforeseen developments.

Consumer spending is one area where the response to the energy crisis is particularly important. Given the strategy to cutback heavily on gasoline consumption, we expect some corresponding cutbacks in demand for new automobiles (particularly large cars), recreational equipment, tourism and other businesses associated with personal travel. The impact on the overall economy will depend on whether consumers divert these foregone expenditures to other products, or put them in savings. Our 2 percent reduction in growth assumes the diversion will be very low. Of course, there is always a possibility that consumers will react to the crisis by reducing their spending across-the-board which could lead to an impact greater than our 2 percent estimate.

Two factors should operate to sustain a high level of economic activity next year. Capital spending is expected to be large and business inventories are very slow. Reductions in consumer demand would probably cause a buildup of inventories which would help sustain production and employment. Even before the embargo, housing was expected to be lower next year than in 1973. The crisis could affect housing either way. On one hand, some houses

will not be started or bought because of uncertainty about getting energy commitments. On the other hand, housing was being held back because of tight credit markets and the sharp slowdown combined with the probability of more total savings should relax the credit constraint on housing demand. The impact of the crisis on exports and imports is still unclear. Foreign demand for energy-intensive products may well increase but energy-induced slowdowns in other countries will reduce export demand. The magnitude will depend on how serious the energy crisis becomes abroad, and how it is managed. This country's imports should be slowed somewhat by our own slowdown although a probable offset will come from increased imports of small cars until U.S. companies can convert their production lines.

To sum up all these factors: The Nation is faced with a serious new problem that comes as the economy was reaching its goal of full employment but with unacceptably high inflation. The impact of the embargo will be unfavorable, both for inflation and for full employment. However, it does not mean economic disaster or collapse. Rather, it means a difficult adjustment to using less energy than we would like to, and it means that next year the goals of full employment, economic growth and reasonable price stability will not be achieved to the degree we would like.

\* \* \* \*



Let me conclude by characterizing the economy in a different way than is customary for a talk on the short-term outlook. Beginning about a year ago the economy was trying to expand at a faster pace than its natural resources would let it. This has shown up in either sharply rising prices or absolute shortages of products derived directly from forestry, from agriculture, from minerals and metals, and especially energy. This is a phenomenon that Americans are not use to and that economic forecasters were not prepared for. For the past twenty years these sectors have been declining in relative importance in the U.S. economy. But perhaps more significant their prices have been falling relative to prices in the rest of the economy. (These relationships are shown in the attached chart.) Quite clearly in 1973 the demand for these resources has grown faster than production and their relative prices have increased sharply. This raises a basic question: Is the economy entering a period of several years when these resources will become increasingly scarce economically? Or is it a one-time adjustment caused by a variety of related and unrelated events that will, after 1974, no longer cause resources to occupy such a prominent place in economic policy as they do today?

Agriculture is certainly a major part of this issue. While agriculture has always been an up and down industry, it has fluctuated around a trend of great abundance. Is agriculture now entering a period in which the ups and downs will be around a trend of relative scarcity? Finding the answer to that question, and being prepared to take steps toward helping agriculture contribute to the Nation's prosperity, are great challenges for you and others who work in this important field.

\* \* \* \*

1974: The Arab Oil Embargo Lowers Most Real Growth Forecasts and Raises Inflation

	Percent change 1974 from 1973				1974 Current \$ GNP (Billions)	1974 unemploy- ment rate (Percent)
	Constant \$ GNP	GNP deflator	Current \$ consumer durables	Pre tax corporate profits		
The Fair Model .....	3.5% H	4.7% L	6% H	NA	\$1394	4.8% L
U. S. Trust .....	2.5	6.0	2	-5%	1400	5.3
Argus Research .....	2.3	5.9	1	3 H	1395	5.3
Harris Trust .....	2.0	5.6	0	-4	1387	5.3
RCA .....	1.9	6.3	3	0	1394	5.6
Dean Witter .....	1.8	5.7	1	-2	1381	5.7
Data Resources .....	1.6	6.2	1	-4	1390	5.5
Drexel Burnham .....	1.6	5.6	-2	-4	1381	5.5
A. G. Becker .....	1.5	6.3	-2	-4	1389	4.5
Equitable Life .....	1.5	6.3	2	-6	1385	5.6
Mellon Bank .....	1.5	5.5	-3 L	-10 L*	1374	5.5
Bankers Trust .....	1.3	6.0	2	-6	1381	5.3
First National City Bank .....	1.3	5.3	NA	NA	1372	5.6
Manufacturers Hanover Trust .....	1.2	5.7	2	-6	1375	5.6
E.I. du Pont de Nemours .....	1.0	5.5	-2	-6	1375	5.5
Council of Economic Advisers .....	1.0	NA	NA	NA	NA	Not more than 6%
Chase Econometrics .....	.8	5.6	0	-1	1371 L	5.7
The Wharton Model .....	.6 L	7.6 H	1	1	1393	5.8 H
Scudder, Stevens and Clark .....	.6 L	7.0	0	-6	1386	5.6
Lionel D. Edie .....	.6 L	6.2	-3 L	-10 L	1374	5.6
Table Mean .....	1.5	5.9	1	-4	1384	5.4
Table Mean last month .....	2.5	5.0	1	-2	1385	5.2

\* Mellon Bank sample, not used in calculating table mean.

H: Highest forecast in column.

L: Lowest forecast in column.

NA: Not available.

Of the 18 forecasts tabulated last time, 15 revised real growth down, none up; 15 revised price inflation up, none down; 15 revised the unemployment rate up, none down.

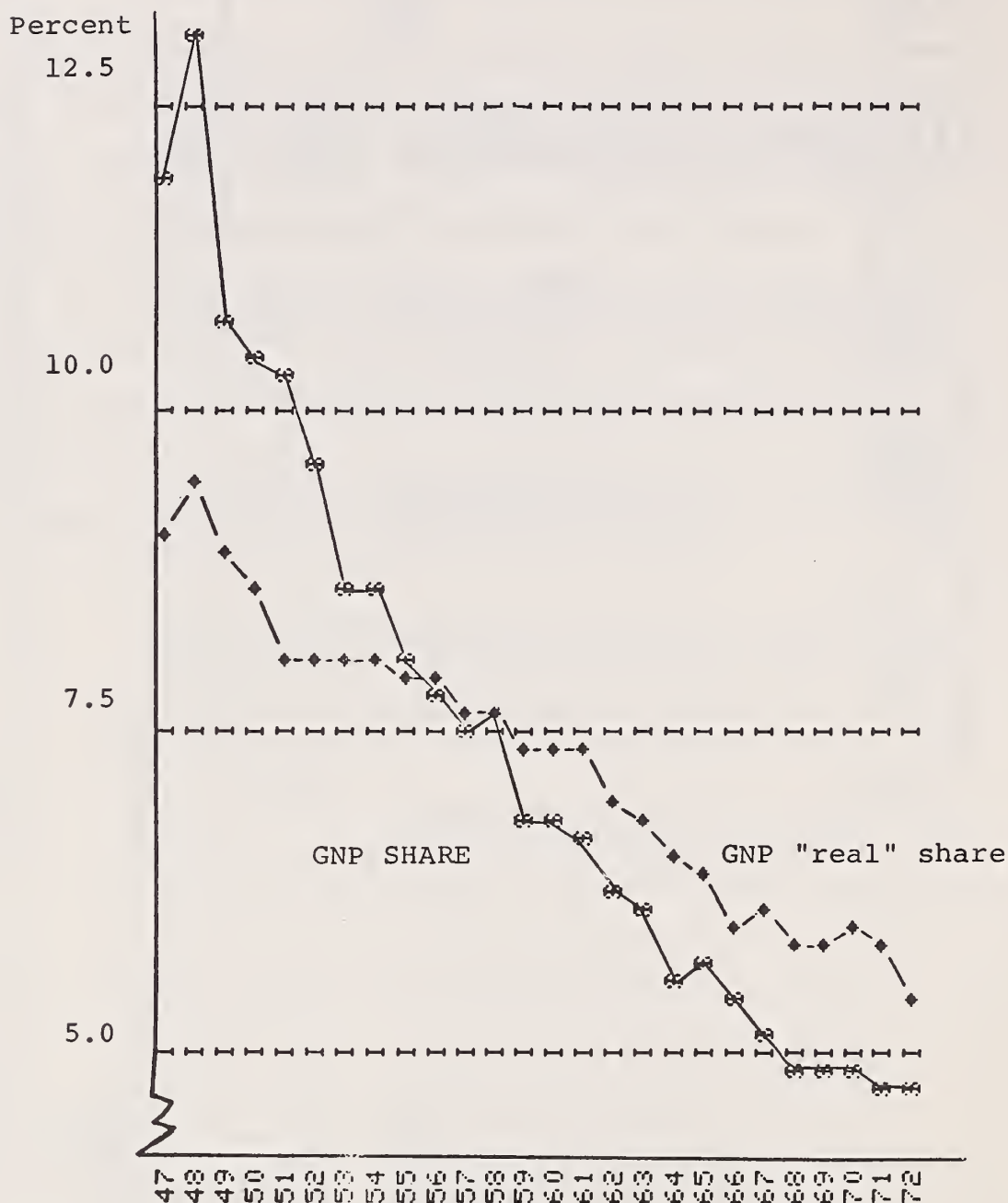
Source: Published forecasts and personal communication.

RCA Forecast: RCA Economic Forecasting Model.

RCA Economic Research

11/30/73

The Share of Basic Industries in Gross National Product,  
Constant (real) and Current Dollars\*



\* Gross product originating in basic industries (agriculture, forestry, fisheries, and mining) relative to gross national product.

CEA Estimates (December 14, 1974)



U.S. DEPT. OF AGRICULTURE  
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4001 New Executive Office Building  
Washington, D.C. 20461  
Tel: 395-3537

EMBARGOED FOR RELEASE UNTIL  
9:30 A.M. EST, MONDAY, DECEMBER 17, 1973

REMARKS BY THE HONORABLE WILLIAM E. SIMON  
ADMINISTRATOR, FEDERAL ENERGY OFFICE  
DEPUTY SECRETARY OF THE TREASURY  
BEFORE THE  
AGRICULTURAL OUTLOOK CONFERENCE  
U. S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C.  
DECEMBER 17, 1973

Fuel And The Needs of Agriculture

I am delighted to have the opportunity to participate in your Agricultural Outlook Conference. There are two reasons. First, I consider agriculture a top priority in our efforts at the Federal Energy Office to allocate scarce fuel supplies in a manner that best serves the National interest. Second, I believe Agriculture will be one of our best allies in the difficult days ahead.

I base this belief on what the Department of Agriculture and American farmers have already done to help the country. Secretary Butz, Under Secretary Phil Campbell, and the Department have done an outstanding job. Since last spring, county and State offices of the Agricultural Stabilization and Conservation Service have been monitoring the farm fuel situation, verifying shortages and bringing individual

farmer's problems to the attention of State agencies and the Federal Office of Oil and Gas. In addition, USDA has detailed more than 30 experts to the Office of Oil and Gas to help solve farm fuel problems.

Individual farmers and the many farm associations have also responded to this emergency with the kind of support and cooperation that is so essential to the success of our efforts to cope with the current fuel shortage. I commend you all for your past help and urge you to continue providing us this valuable support in the future. Working together, I am confident that the Federal Energy Office and American agriculture can meet the challenge that now confronts us.

I would like to begin my discussion this morning by reviewing with you briefly the nature and the scope of our energy shortage. It is important to see this problem in its true perspective because many misconceptions have developed since the Arab boycott went into effect last October. Then I would like to focus on the particular problems the fuel shortage has created for agriculture and what we are doing to help solve them.

#### Facts About The Shortage

Let's briefly review some of the pertinent facts about the energy shortage. Roughly 85 percent of the energy consumed

in the United States is available from domestic sources. The remaining 15 percent of United States energy is derived from imported oil, with a substantial portion of this supply coming from Arab countries. As such, we now estimate that the Arab boycott will create a shortfall of about 7.5 percent of total U. S. oil requirements for the fourth quarter of 1973 and about 17 percent for the first quarter of 1974.

The magnitude of this shortage should not cause us to panic. Timely conservation steps and other measures are already helping us adjust to this diminishing supply of imported oil. I do recognize, however, that the problems created by the shortage will differ throughout the economy. Some industries, like transportation, depend almost exclusively on petroleum products; and, in others, including agriculture, the possibility over the near term of substituting other energy sources is difficult.

However, it is important to realize that we have been a nation of great energy wastrels. With six percent of the world's population, we consume over one-third of the world's energy and obviously there is a lot of waste in that consumption. We have been accustomed to an overabundance of cheap energy. That day has ended. We must change our life styles and be more thoughtful.

I believe that the American people will respond and I do not accept dire forecasts that industry will bear the full burden of the shortfall. There is no question that industries will have

to improve the efficiency of their energy utilization; but our main thrust will be to get the consumer to save, so that there will be the least possible effect on industrial production and employment.

Our studies show that practical conservation measures with respect to gasoline, heating oil, and electricity could help us cut three to five million barrels of oil a day from our current consumption of over 18 million barrels--enough to meet the shortfall created by the boycott.

However, even if the Arab boycott is lifted, we will still have energy problems. The demand for energy in the United States has been growing at an annual rate of about four percent, and, if the present trend continues, our energy needs by 1990--just 17 years from now--will be twice as large as that of 1973. Our goal is to achieve self-sufficiency in energy by the end of this decade. To achieve this, we must continue to reduce demand while we are developing alternate sources of energy to increase future supplies.

#### What Is Being Done About It?

Thus we are faced with both short-term and long-term problems. Among the short-term steps that have already been taken, the President has asked that retail sales of gasoline be stopped on Sundays; he has asked refineries to reduce gasoline deliveries to wholesalers and retailers; he has asked for a voluntary 55 m.p.h. speed limit for buses and trucks, and a 50 m.p.h. speed limit for automobiles; and he has requested an end to promotional, display, and ornamental lighting by commercial establishments.



Just last week, we asked for reduced lighting in all commercial buildings, including retail establishments, factories, and offices to 50-foot candles at work stations, 30-foot candles for general work and sales areas, and 10-to-15-foot candles in hallways and corridors. It is estimated that an equivalent of 800,000 barrels of oil per day can be saved by this action. As soon as Congress provides us the necessary legislation, these measures will all become mandatory.

Last Saturday morning, President Nixon signed the bill that will put the United States on daylight saving time on a year-round basis for a period of about two years. This will go into effect on January 6th. We estimate that the equivalent of 150,000 barrels of oil a day will be saved during the winter months by this action.

These short-term steps are only the beginning. We are prepared to take whatever additional action that becomes necessary:

(1) We must decrease gasoline consumption. This may require some combination of gasoline price increases, taxes and rationing, as well as voluntary and mandatory conservation measures.

(2) We must further reduce residential and commercial energy use. Large fuel reductions can be made here without causing job reductions or loss in industrial output. This will require some price increases or taxes on natural gas and electricity, in addition to the allocation program.

(3) We will shift refinery output to increase supplies of fuel oils and vital petrochemical feedstocks.

(4) We are exploring plans to convert commercial airliners from kerosene to naphtha-based jet fuel. This will make the supplies of critically short distillate stocks available for other users.

(5) We are pressing forward to switch utility plants from oil to coal. I have urged 19 utilities on the Atlantic Coast to make such a shift at 26 electric power plants, and I am preparing to contact 40 additional utility companies throughout the country to determine their capability of making similar conversions.

(6) We are urging States to increase the maximum efficiency rate of production on oil wells.

(7) I have directed the Internal Revenue Service to investigate and take action against illegally high fuel prices being charged for interstate trucks, to ensure that farm commodities get to market.

(8) I have established ten new regional Federal Energy Offices and appointed interim directors who are already on the job.

So we are moving ahead on many fronts to meet the problems of our current energy shortage. And now I would like to focus on the particular problems we face in agriculture.

#### Vital Role Of Farmers

As I mentioned earlier, agriculture is receiving top priority at the Federal Energy Office. We're doing this for one simple reason--agriculture is vital to the health of this Nation's population and vital to the health of its economy. The future stability of our dollar is dependent on our balance of payments, and a major ingredient in providing us with a surplus will continue to be agricultural exports.

For example, in the first ten months of this year, agricultural exports reached an estimated \$13.6 billion--a new record. In fiscal 1974, the period between last July first and the end of next June, we estimate farm exports will reach approximately \$19 billion. I can assure you that we are very much aware of the great contribution agriculture is making to the American economy, and we will make every effort to provide farmers the fuel supplies they need.

### Fueling The Farms

If American farmers plant 10 million additional acres next year--and this acreage is available--farm fuel needs will increase by more than one million barrels of gasoline, about twelve million barrels of diesel fuel, and approximately two to four million barrels of liquefied petroleum gas. There is no question that farmers will have to contribute to energy conservation, just like other sectors of the economy. However, I believe that "farm needs" are really national needs.

For that reason, in the Mandatory Allocation Regulations we proposed last week, which will become effective on December 27, the Federal Energy Office has made the following provisions for agricultural production:

(1) Gasoline will be provided to agricultural users on a priority basis, supplying 100 percent of what they need.

(2) Propane, butane, and mixes will be provided to agricultural users on a priority basis, supplying 100 percent of what they need.

(3) Residual fuel oil will be provided to agricultural users on a priority basis, supplying 100 percent of what they need.

(4) Regarding diesel fuel allocations, we are attempting to design regulations that will provide for the needs of agriculture, utilizing a suitable base period.

We established these priority allocations because we realize how much the Nation depends on agriculture and how much agriculture depends on an adequate fuel supply. If the farmers, dairymen, livestock raisers, and commercial fisherman are going to provide the increased production they have been asked to produce next year, they must get the fuel they need to do the job. We at the Energy Office are determined to see that these fuel supplies are forthcoming.

But we cannot do the job alone. We are counting on the continued cooperation of the agricultural community, and we are counting on the help and support of the American public. Without a united effort on the part of all our people--and every segment of our economy--the Federal Government cannot solve the energy problem.

#### Looking Ahead

The Federal Energy Office will be two weeks old tomorrow. My staff has been working long hours every day, including weekends, to accomplish the job President Nixon gave us on December 4th. I would like to conclude my remarks by telling you how we plan to carry out our mission.

-- First, we will seek to minimize the economic impact of the energy shortage through conservation of energy by the consumer and through more efficient utilization of energy by industry and agriculture.



- Second, we will maintain a flexible approach. We must put sound long-range policies into place but we must also be able to adjust to short-term needs.
- Third, we will actively seek the advice and cooperation of the Congress, State and local governments, industry, agriculture, and consumers. For example, last week we created seven Citizen Advisory Committees to give us expert advice and information in dealing with the energy crisis. The 22-member Agriculture Committee will be helping us in the decision-making with respect to the farmer's problems and needs.
- Fourth, and finally, we will act. Energy policy now calls for action and we will do whatever is needed to put this country on the road to self-sufficiency, which is our ultimate goal.

Although some aspects of our energy problem have been exaggerated, and there are some misconceptions regarding our present situation, an energy crisis does exist in America today. I would be the last person to deny that. However, a crisis has the potential of producing benefits.

The Chinese word for crisis, as many of you know, is composed of two symbols--one represents danger and the other represents opportunity. I firmly believe that we, as a united people, can avoid the dangers inherent to our present crisis. I also believe we have the intelligence and foresight to capitalize on the opportunity that now lies before us.

In the months ahead we have the opportunity to make those changes that we should have been working on for many years. Because of our present problems, this country has started to mobilize its talents and resources to achieve self-sufficiency in energy. We are now committed to create not only self-sufficiency but a domestic supply of clean energy, which is so essential to sustain healthy economic growth, including a strong and flourishing agriculture economy, and to improve the quality of life in this country for generations to come.

Thank you.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

THE U. S. ECONOMIC OUTLOOK

Talk by George R. Green  
Executive Director, Short Term Forecasting,  
Wharton Econometric Forecasting Associates, Inc., Philadelphia, Pa.  
at the 1974 National Agricultural Outlook Conference  
Washington, D. C., 10:30 a.m., Monday, December 17, 1973



The economic outlook for 1974 was not a rosy one even without the fuel crisis, but the current fuel shortage situation, aggravated by the Arab embargo of oil imports into the United States, has darkened the cloud on the horizon. A recession in 1974 seems inevitable. This morning I want to briefly review some major factors affecting the United States economy during the last couple of years. I will then turn to the Wharton analysis of the 1974 economic outlook along with our assessment of the energy crisis and its implications. Finally, I want to offer some personal views regarding how we are dealing with the current economic situation.

The United States economy has experienced a recession in the period since World War II about every four years on the average. In the early 60's economic growth was slow and unemployment rates were fairly high while the latter half of the 1960's were characterized by more rapid growth, in part stimulated by this country's involvement in Southeast Asia. At the end of the last decade the unemployment rate was around 3.5%, but in 1970 that rate shot up to about 6% and remained there during all of 1971. Two years ago at this conference a dominant concern was the effect of the just-ended Phase I freeze on wages and prices as a part of the new economic policies and an analysis of the likely impacts of Phase II upon the economy. In that same month, December of 1971, the first round of a world-wide realignment of currency exchange rates was completed and this also played a major role in subsequent events.

1972 was the year when United States grain exports were greatly expanded to Russia and China. While most of the agreements were worked out in the Spring and early Summer of that year, it was August of 1972 before the full magnitude of these sales was made public. 1972 was also characterized by strong economic growth of over 6%, and except for the first quarter, when there was a concentration of price bulges following the Phase I freeze, prices increased at a moderate rate in part because of the Phase II controls system. In 1972 the GNP deflator increased at a rate of 3.2%, and the unemployment rate came down from about 6% at the beginning of the year to slightly over 5% by the end of the year.

The economy moved into 1973 with a bright prognosis for the year. Capacity utilization was increasing in several sectors and the Federal deficit position had shown great improvement. Our net exports in the first quarter of 1973 came into balance from a deficit position which had lasted during all of 1972. The unemployment rate was hovering near 5% and credit conditions were good, following a period of rapid monetary growth with an interest rate on four to six

month commercial paper at about 6%. These factors plus the Phase II controls resulted in record profit announcements during late 1972 and early 1973.

Overlooked by many in 1972 was the fact that food prices were not subject to the Phase I and II controls. While action was taken on many fronts with the introduction of the new economic policies in August of 1971, fiscal policy action was not focused on the agricultural and food situation. During 1972, agricultural production world-wide declined by over 3% at an annual rate compared with an average increase of about 3.5% for the preceding five years. World demand for food products continued an upward climb during 1972 at approximately 4%, reflecting both population increases and, even more importantly, strong increases in personal income. When this conference met a year ago in December of 1972, the agricultural posture of the United States government was geared to restrict output even though exports to Russia and to other countries had recently come to light. Finally, with the furor over food price increases during the early part of 1973 and considerable consumer unrest because of rising food costs, government policy moved from restricting output to encouraging production. Although these actions on the agricultural front will have a positive effect in 1974, the steep rise in food prices in 1973 could have been moderated by more decisive government action at an earlier date.

The Wharton Forecast released in early December of 1972 projected a continuation of strong economic growth during the early part of 1973 with some fall-off in the rate of increase of real production after the middle of the year. For the year 1973, production (real GNP) was projected to increase by over 6% with price increases only slightly larger than in the preceding year, while the unemployment rate was projected to average just under 5% for the year as a whole. The data now available for 1973 indicate that we were on target with respect to real output growth and the unemployment rate, but that we underestimated the extent of price increases during the year. The underestimate of prices can be traced to three factors. First, we assumed the continuation of the Phase II types of controls with some modification during 1973. Instead, the Phase III regulations permitted prices which were much higher than we had anticipated. In particular, we underestimated the extent of the rise in food prices which occurred during 1973. In addition, capacity bottlenecks were experienced in several industries. This coupled with much higher prices for imported materials contributed significantly to the rise in industrial prices.



The earlier predicted slowdown in economic growth for the U.S. economy is already evident. In the second and third quarters of 1973, GNP grew at about a 3% annual rate compared with rates in excess of 8% during the prior two quarters. A year ago, our standard forecast called for a slowing down of the rate of growth during the last half of 1973 and a further slowing during the year 1974. The major factor which has significantly modified our forecasts since that time relates to the short run energy situation. The cutback in oil imports will have a substantial effect on the expected economic outlook. While our earlier solutions had anticipated a "soft-landing" with several caveats regarding the possibility of crop failures or extremely pessimistic consumer sentiment, the earlier solutions were so close to a mild recession that almost any wide-spread economic crisis could be expected to cause a decline in real GNP that would qualify as a genuine recession. Because of the oil import crunch, the U.S. economy is now vulnerable to a recession during the first part of 1974.

A major problem in preparing a forecast at the present time involves establishing realistic scenarios for the oil embargo in the face of considerable uncertainty. There are numerous possibilities, but we have factored into our econometric model the alternatives which we consider most probable. However, other possibilities exist and the various alternatives could considerably alter the forecast patterns for the coming year.

Our best judgment is that the oil import cutback in petroleum products will be on the order of 2 million barrels per day and we have built this assumption into our standard or preferred control solution. The two million barrel per day shortfall consists of 1.1 million barrels per day of crude oil and 0.9 million barrels per day of residual fuel and distillates. While we regard this scenario as a most reasonable estimate, and our best judgment at this time, we cannot discount the higher estimates of the energy shortfall by such groups as the National Petroleum Council. Their estimate is for a shortfall of 1.8 million barrels per day of crude oil plus 1.2 million barrels per day of refined products for a total of 3 million barrels per day. We have made some alternative runs with this higher energy shortfall. Our best estimate is that the short run energy crisis problem created by the Arab embargo will fade after the middle of next year with virtually all of the effects dissipated by the end of 1974 except for some inventory adjustments.

(all figures represent thousands of b/d)	Control Solution with 2 mill. b/d	Alternative with 3 mill. b/d
Cut in oil imports	2,000	3,000
Crude oil	1,100	1,800
Refined products	900	1,200
Allocation of fuel cutbacks		
Gasoline (consumers)	500	700
Heating (consumers)	300	500
Electric power (consumers)	400	500
Commercial aircraft	200	250
Commercial use - gas	100	120
Commercial use - oil	100	130
Industrial use	400	800
<u>Total cutback</u>	<u>2,000</u>	<u>3,000</u>

The impact of an energy shortage depends a great deal upon how the shortfall is allocated among various uses. A cut-back in gasoline consumption by consumers will have much less impact than a shortage of oil for critical industrial use, especially in the steel, fertilizer, chemical fibers, plastics, and textile mill sectors, where petroleum imports play an extremely important role. The magnitude of the shortfall, of course, influences the degree to which it is possible to concentrate the effects on less important operations and less critical industries. The impacts on industry of larger cutbacks are distinctly non-linear. In our calculations, we have assumed that most of the cutback will be absorbed by consumers. A reduction of gasoline consumption by some 500,000 barrels per day or more will be necessary. Some relatively simple measures such as those proposed by the President in his energy speech will have an important impact -- a savings of 200,000 barrels per day by reducing speed limits to 50 m.p.h. for example. But substantial cutbacks in recreational driving will be necessary over and above this. We assume that quantitative restrictions -- allocations, restrictions on gasoline sales, and if these fail then rationing -- will be instituted. The alternative methods of achieving the cutback in consumption of gasoline through higher prices or higher taxes are also a possibility but this would entail even more inflationary conditions.

Heating fuel will also need to be cut back at least 300,000 barrels per day even if the import shortage is limited to 2 million barrels per day. Cutting back heating thermostats by five degrees can produce a savings of around 265,000 barrels per day. Additional amounts will probably be accomplished by an allocation scheme to petroleum dealers.

For electric power generation, we have assumed that electricity production will be reduced by cutting voltage which affects about 4% of production and that there will also be additional selected cuts in electricity generation. Further gains will result from a reduction in consumption of electric power by turning off decorative lighting and reducing commercial consumption.

The reduction in airline traffic can also produce a savings of between 200,000 and 250,000 barrels per day. The larger value represents a cutback of 20% in commercial aircraft use. In the case of aircraft cutbacks, there may be some inconvenience to airline users, but a considerable benefit will also result through a much higher utilization rate of passenger space on remaining flights.

In the case of industry, we have assumed that there will be a shortfall of some 400,000 barrels per day in industrial fuel use. (With a larger cutback of 3 million barrels per day in oil imports, the shortfall for industry could be as large as 800,000 barrels per day.) It is difficult to evaluate the impact of a cutback of this kind on industry. No doubt some of such a cutback can be absorbed by increases in efficiency, at least over the short run. However, there will be temporary cutbacks in production due to lack of fuel, and unless the allocations are properly handled, there may be serious disruptions. In our solutions we have assumed that sufficient adjustments can be made so that the impact of reduced output due to fuel shortages will be largely absorbed by reductions in inventories of finished products. Clearly, if the cutbacks in fuel are more serious or last longer than we have assumed or if a disproportionate share of the burden falls on industry then the impact may be considerably more severe than we have estimated.

Based on assumptions that the shortfall in U.S. petroleum supplies will be two million barrels per day through the first half of 1974, and that appropriate government policies are instituted to minimize the impact of this shortage on industry, the Wharton Model shows moderate declines in real GNP during the first two quarters of 1974. Over the entire year we should see a substantially flat economy, rising only six tenths of one percent over 1973, and an unemployment rate increasing to over 6% by the end of 1974. The slow economy implies a drop in aggregate profits and aggravated inflationary trends because of sharp run-ups in fuel prices. This is truly a "stagflation" picture of the economy with slow growth accompanied by rapid inflation.



Our calculations assume that much of the impact of the fuel shortage will be absorbed by consumers who will drive less and keep their homes cooler, but if limitations on consumer use are not affected, more of the shortage of fuel will fall on industry and commerce and the impact on production and employment will be considerably more serious.

Our control solution with a two million barrel per day shortfall in petroleum imports calls for a real GNP decline at an annual rate of about 1% during the first half of 1974. During the third and fourth quarters, output can be expected to increase by about 1.5% at an annual rate. In 1975 we project production increases of near 3% during the first half of the year but near 4% by the end of the year. Price increases will continue to be high. The 7% increase now recorded for the third quarter of this year will be repeated with even slightly higher increases during the next five quarters. We do expect some abatement of price increases during 1975, but even then the increase projected is 6.2% during 1975, considerably above the 2-3% range envisioned by the Administration as a goal when the new economic policies were introduced in 1971. It should be noted that the energy problem is not the only factor contributing to price increases. Even without the energy shortage and without the associated price increases for petroleum products, the GNP deflator for next year would increase by almost 6%.

Accompanying the slow economic growth we expect employers to follow their traditional patterns of being slow to adjust their work force, and as a result, productivity will not contribute to economic growth over the next year and a half. During 1975, however, we expect productivity increases of about 2% for the private economy. We are optimistic in our projection of wage rates, with compensation per man hour increases held to slightly less than 8% during 1974. The expected high increases in prices may result in even larger increases in wage rates over the coming months. The unemployment rate is expected to rise from the 4.7% recorded for November of this year to a rate of about 6.1% during the fourth quarter of 1974, with the average for 1974 projected at 5.5%. During 1975 the unemployment rate may be near 6.5%.

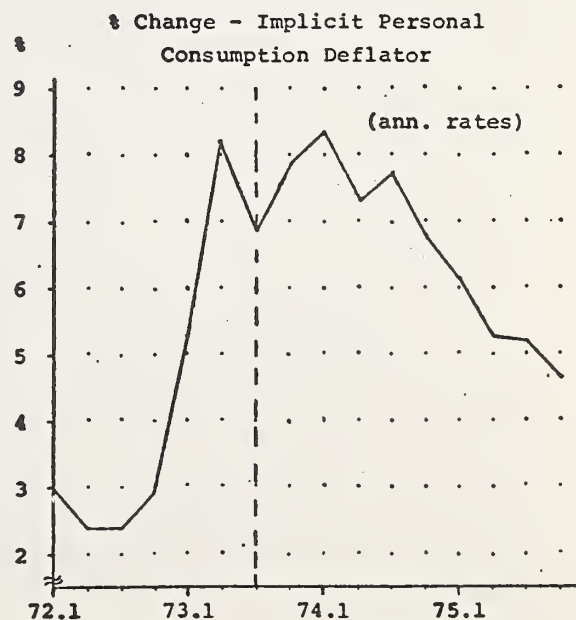
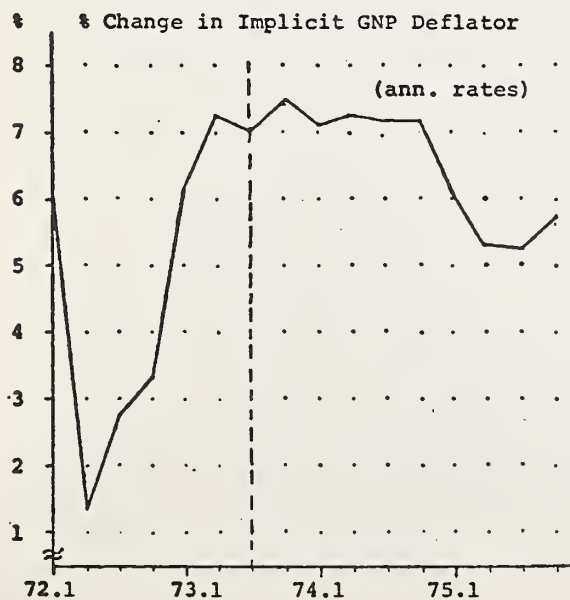
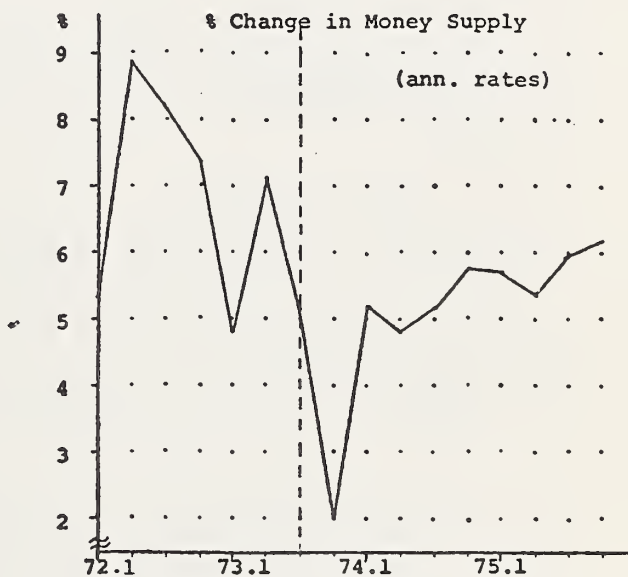
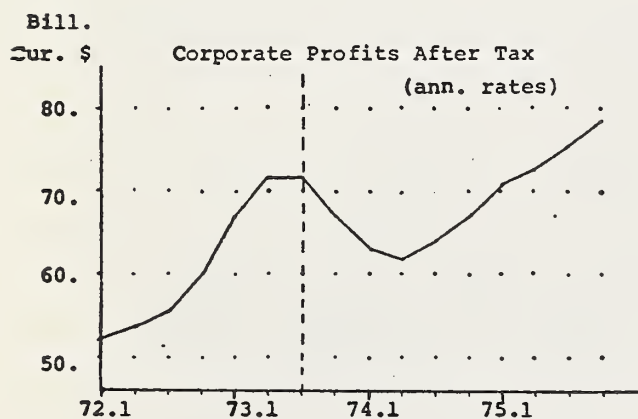
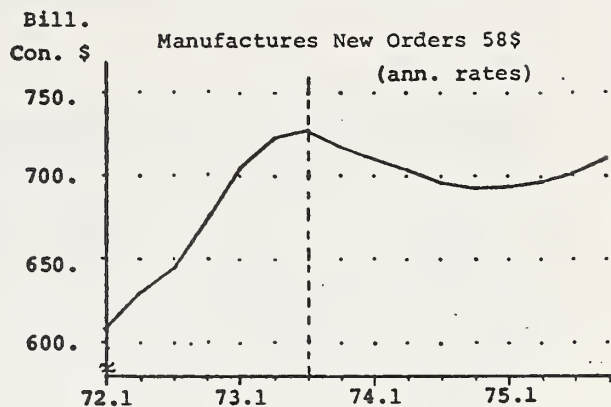
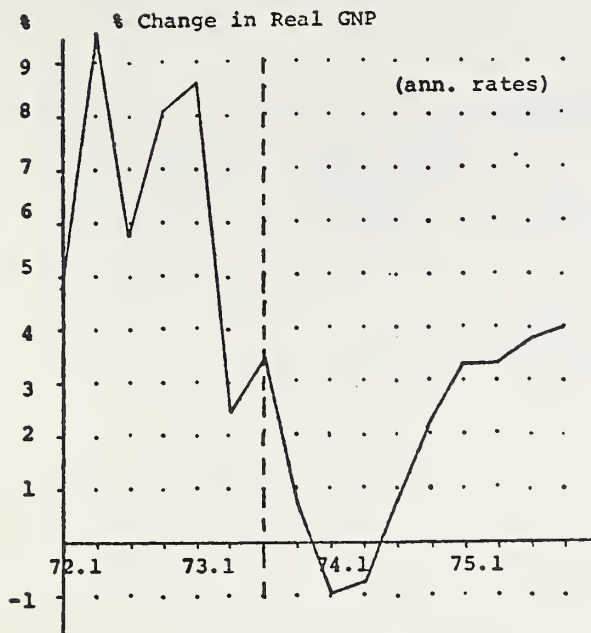
Accompanying the slow economic growth during the first half of 1974, we project a decline in after-tax corporate profits of over 13% from the third quarter of this year to the second quarter of 1974. After the second quarter of next year, corporate profits will show some improvement, but the year as a whole will still be lower than the 1973 earnings period. In 1975, corporate profits after-taxes will show a moderate increase over the depressed 1974 levels.

Different sectors are affected in different ways by the energy situation. One of the benefits of the cutback in economic activity should be the housing sector, where easier monetary conditions can be expected to stimulate housing starts, especially in the latter part of 1974 and the end of 1975. Our assumptions include a decline in Federal Reserve Discount Rate from present levels to about 6% by the end of next year. The commercial paper rate should also decline during 1974 to a level of about 6% by the end of next year. Long term interest rates, however, are projected to remain on essentially a plateau during all of 1974. The growth in the money supply has been very slow in recent periods, but we expect increases of between 5 and 6% during 1974 and 1975.

Several other forces are acting on the American economy in addition to the energy situation. There has been a sharp decline in housing starts and purchases of cars and other durables in recent months have fallen off reflecting consumer uncertainty and fear of fuel shortages. Business fixed capital formation has shown continued strength and could be a source of demand for the economy in 1974. The surveys of investment anticipations seem to be optimistic, but the expected increase in capital outlays is partly an inflationary phenomenon. We project an increase in plant and equipment expenditures of only about 7% with the energy crisis or about 10% without these factors included. Recent surveys have shown increases of about 14%, but very recent events are likely to cut that figure considerably.

Even assuming that appropriate government actions are taken, the economic situation next year could be considerably different if alternative assumptions are made. Our control solution with a two million barrel per day fuel shortage yields a growth rate of just over one-half of one percent for 1974 with price increases above 7%. A three million barrel per day fuel shortage is estimated to have an even larger impact on the U.S. economy with a negative growth rate for the entire year of .3%, a GNP price deflator increase of 7.6% and an unemployment rate very near 6.5% by the end of next year. A similar result is obtained if the fuel import shortage is held to two million barrels per day but consumer pessimism sets in. If higher gasoline prices are used to achieve the cutback in consumer use with a two million barrel per day import shortfall, the growth rate would be negative for the year with a price increase of nearly 8.5%. Thus this method of handling the problem increases the GNP price deflator by over 1%.

# CHARTS -- Wharton Econometric Forecast, Control Solution





Forecast	% Change 1974		Unemploy-	Unemploy-
	Real GNP	GNP Price Deflator	ment Rates 1974	ment Rates end of '74
Control Solution with 2 mill. b/d fuel shortage	0.6%	7.2%	5.5%	6.1%
3 mill. b/d fuel shortage	-0.3%	7.6%	5.7%	6.4%
Consumer Pessimism and 2 mill. b/d shortage	-0.3%	7.4%	5.8%	6.5%
2 mill. b/d shortage with higher gasoline prices	-0.2%	8.4%	5.6%	6.2%
No fuel shortage and no associated price increases	2.1%	5.8%	5.2%	5.5%

The outlook for 1975 is more optimistic with real GNP expected to increase at between the 3 and 4% at annual rates during each of the four quarters of that year. This is the result of our control solution which assumes that the Arab embargo will cease by mid-1974. If the embargo lasts through all of 1974 and if the shortfall is the higher 3 million barrels per day, then the unemployment rate could reach 6.5% by the end of next year and the first three quarters of the year would each show negative rates of growth. Under this environment the GNP price deflator might increase by as much as 7.7% for the year 1974 with a decline in real GNP for the year of about .7%. It should be emphasized that all of these solutions do not depict a drastic depression. But the nature of the assumptions should again be emphasized. Our scenario does not envision wide-spread serious shortages of fuel for vital industrial operations though there will no doubt be spot shortages and disallocations. Much of our fuel use goes for automobile travel and heating where relatively painless adjustments can be made with appropriate policies. This will mean that Americans will be staying home more, but we do not expect that they will be huddling together for warmth. Commercial establishments and industries can also make substantial fuel savings and there is room for some expansion of oil production and for greater use of coal, but the possibilities on the supply side in the short run are relatively limited.

Effective policies for limiting fuel use must be established. The policies announced to date represent steps in the right direction, but they are not of sufficient magnitude to handle the problem at hand. It has been assumed that much can be accomplished by voluntary cooperation but stiffer policies are clearly called for in this situation. Formal rationing may be needed. Alternatives would be heavy taxation or additional large price increases which would further aggravate the inflation problem. But the important thing is that government take appropriate action and not delay the decision.

The situation going into 1974 is like that of a sailboat with a change in the wind conditions. When the wind changes direction and intensity, adjustments have to be made in the sails of the boat to keep the craft from capsizing and to steer the craft back on course.

Even without the Arab embargo, there is a serious long run energy problem for the U.S. economy. The short run problem however is greatly compounded by the Arab embargo. Strong, effective and urgent action is called for by the Federal government in this situation to put the economy back on course as nearly as possible in the short run and to ensure that in the long run we will achieve sustained economic growth. The policies announced to date are not of sufficient scope to handle the present situation.

If further actions are not taken by the Federal government to limit consumer use of petroleum, then more of the burden will fall on industry. On the face of it, it may appear that a continuation of the present course of some voluntary constraints and somewhat lower speed limits would be kind to the consumer, but this is not the case. For each million dollars of loss of fuel input to industry, there will be a much larger cutback in industry output. While some industries can absorb a certain amount of reduction in fuel inputs, many industries would simply be unable to operate if substantial cutbacks are made. For U.S. industry as a whole, fuel inputs account for roughly ten percent of total inputs. If fuel inputs are cutback by say \$1 billion then industrial output could be cutback as much as \$10 billion. Secondary effects spreading to other industries could further hamper the economy. Accompanying such reductions would be a steep rise in the unemployment rate and massive work stoppages.

Clearly these kinds of conditions should be avoided if at all possible. The kindest thing for the consumer in this situation is to immediately institute policies which would cut back non-essential automobile and other consumer uses

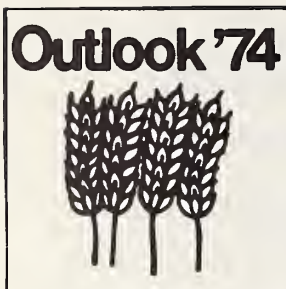


of petroleum and to minimize the impacts on industrial production. Such a policy would inconvenience the consumer, but the inconvenience would be a small price compared with the alternative of higher unemployment rates and lower earnings. None of the alternatives available are cost-free, and it is difficult to choose between rationing and steep price rises. Nevertheless, the failure to take action at this time is clearly the least desirable alternative, and could place the economy on a course far off target during the coming year. The time for action is now and not later. The craft called the American economy will not capsize in 1974 but the speed and direction of the economy in the coming year will be significantly affected by the action or inaction of the government sector in the coming weeks.

One final point needs to be emphasized. The energy problem for the U.S. economy is not just a short run problem. Unlike the earlier agricultural situation where significant increases in domestic production could be achieved over a period of a year or so, we cannot expect dramatic increases in domestic production of petroleum or other energy sources in the short run. Coal production will be increased and this will be the primary source of additional domestic energy production in the near term. Over the very long term new sources of energy can be put into use. These include oil shale and nuclear energy. But several years are required to build nuclear energy plants or refineries for the conversion of shale deposits. The only other short run relief will come from increased imports of petroleum products, assuming that the Arab embargo is eventually lifted.

However, the long run problem is that if our oil imports are increased during the coming decade then our balance of payments situation will be in a serious deficit position by 1982. According to an analysis made with the Wharton Long Term Econometric Model by Ross Preston, this payments deficit can only be averted if investment in energy production is increased by an additional seventy to eight billion dollars over the coming decade. Clearly, in addition to quick action required to minimize the effects of the short run energy shortage, we need an integrated national policy to meet our long term energy needs.

In summary then, the economic outlook is not a rosy one, but if appropriate government action is taken the U.S. economy will be able to weather the present storm with only a mild recession. However, this recessionary adjustment will be accompanied by significant price increases during the coming year.



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UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service

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U.S. AGRICULTURAL TRADE OUTLOOK 1974

Talk by David L. Hume  
Administrator, Foreign Agricultural Service  
at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 2:30 p.m., Monday, December 17, 1973

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A great deal has happened in U.S. agricultural trade since the last Outlook meeting 10 months ago -- and that is probably a gross understatement.

It might be better expressed as, "All hell has busted loose since last this group met!"

We have seen \$12 soybeans, \$5 wheat, \$3 corn, 90-cent cotton; we have seen temporary export controls and pressure for others; we have seen Japan, hailed only three years ago as our first billion-dollar country market, take more than \$2 billion in U.S. agricultural products last fiscal year -- the Soviet Union close to a billion; and we have seen the People's Republic of China, after 20 years of zero U.S. trade, import \$207 million worth of U.S. corn, wheat, cotton and some other commodities.

With the gain to Japan, the entry of China, and solid growth in exports to South Korea and the Republic of China on Taiwan, we have seen Asia equal Western Europe as a market for U.S. farmers -- despite a 49 percent gain in shipments to West Europe in FY '73.

In fact, all major areas took more U.S. farm products in fiscal 1973 than they did the previous year, and the volume was at record levels in nearly all of them.

The result, as we all know, was a 60-percent increase in U.S. agricultural exports to the all-time high of \$12.9 billion. At the 1973 Outlook conference the export increases that led to that record were described as "really fantastic."

Now, in this fiscal year, with some caveats involving the fuel situation, our estimate is for U.S. agricultural exports of more than \$19 billion by the time the year is out next June 30. You may supply your own adjective.

Before turning to an assessment of the agricultural trade outlook, there are some aspects of the current situation that deserve comment, because they have great significance for agriculture, and for agricultural trade.

I would summarize it this way: in the space of less than two years, American agriculture has attained a new stature in the public mind, and it has entered the big leagues in international trade.

Anyone who has read a newspaper or looked at television over the past year, can confirm that the consumer has, at long last, discovered agriculture. Food prices have come out of the grocery ads to the Page 1 news columns; corn, wheat, soybean and cattle prices have moved from behind the comics section to Page 1 with the food price story, and the U.S. crop report has become network news not only in New York and Chicago, but in London, Frankfurt and Tokyo.

It has been a shock for the consumer to discover that his food supply does, indeed, come from somebody's farm, and that the farm supply is neither inexhaustible nor instantly renewable. But the shock has come, and, whether he is for agriculture or ag'in it, I don't think the consumer will ever take agriculture for granted again.



From now on, we can expect that agricultural decisions, once attracting the concern of a few farm belt congressmen and the farm journals, will be made with representation and comment from the entire body politic. Agriculture, its problems and its prospects, have become important in the American scheme of living. That is all to the good! It's about time for all people to give priority in their thoughts to agriculture, for from this industry come the basic necessities for human life: food, clothing and shelter.

A second aspect of the past couple of years in agricultural trade has been what I perceive as a growing awareness of the importance of agriculture in this country's foreign relations.

For years after World War II, U.S. agriculture's main role in foreign affairs was to provide the food aid that offered devastated countries a measure of stability while economies were rebuilt and governments restored. That has changed. Economies in much of the world are strong and growing, and, with some painful exceptions, the sustenance rations of the post-war era have given way to better diets -- less starch, more protein.

Consumer pressures for better eating are strong and growing in these prosperous societies, and they are forcing governments to turn increasingly to other countries to meet demands that their domestic agricultural systems can't supply.

In this situation, the international role of U.S. agriculture, as the world's leading supplier of a number of basic agricultural commodities, has changed from one primarily of aid to one of trade -- of providing what we might call standard of living insurance to foreign societies, rather than life insurance, which it did so well with the massive food aid of the forties and fifties.

It is not lost on perceptive people that the President's mission to Moscow that led to a new direction in U.S.-Soviet relations was preceded by overtures in the field of agriculture; nor that virtually all of the trade that has resulted from our warming relationship with the People's Republic of China has been agricultural trade.

As for our traditional trading partners and allies, the importance they place on the productive capacity of U.S. agriculture and its ability to deliver, is clearly evident in the uproar that followed the temporary soybean controls imposed last spring.

U.S. agriculture is more potent than ever before in our international relations, and this message is getting through to the American public. I can see this in the question periods at public meetings on the subject of agricultural trade, and in the growing number of requests for speakers on topics relating agriculture to U.S. foreign affairs.

Soil conservationists, bankers, and chemical salesmen are among the diverse groups that FAS personnel have addressed on this subject in recent months. Not very long ago, that sort of talk was largely confined to doctoral examinations and foundation-supported seminars.

The final aspect of this remarkable period for agriculture is perhaps less understood, but it is no less important, than its role in filling our supermarket shelves and undergirding our foreign policy.

I am referring to the growing significance of its contributions to the nation's balance of trade. Agriculture has consistently shown a trade surplus -- close to a billion dollars or more every year since 1961. Last fiscal year's exports produced a record agricultural contribution of \$5.6 billion to the U.S. trade balance, at a time when non-agricultural trade was showing a deficit of more than \$9 billion.



The agricultural surplus for the first 10 months of this calendar year was \$6.8 billion, offsetting a non-farm trade deficit of \$6.6 billion for that period. We expect our agricultural surplus to be well over \$8 billion for the calendar year, to put this country's total yearly trade balance in the black for the first time since 1970; and if the current trend continues, we will pile up an agricultural trade surplus in fiscal year 1974 of more than \$10 billion.

You can pay for a lot of oil, and compact cars, and TV sets with \$10 billion, and this is the message we need to get out to the public: that "balance of trade" is not jargon, meaningful only to economists. It is a measure of how much we have bought and sold in the world market; and if we are going to continue to buy in the world market, we have got to sell as much or more than we buy. If we don't, we are courting economic trouble and putting the dollar in jeopardy.

A favorable trade balance means we can buy the foreign oil and other fuel and raw materials we must have for this industrial society. It means we can look freely to the international market for the small cars, cameras, television components, low cost shoes, and scores of other consumer items that we may not need, but we want in order to maintain our standard of living.

The American consumer should be told that U.S. commercial agricultural exports last fiscal year were enough to pay for the imports of coffee, tea, bananas, spices and all the other foreign agricultural products we enjoy, and still leave about \$4.5 billion left over. That was enough, for example, to offset our close-to-\$4-billion petroleum import deficit, plus a deficit of a third of a billion in natural gas, plus what we bought over what we sold in television sets.

Based on last year's non-farm trade, the \$10 billion agricultural surplus plus we are expecting this fiscal year would offset those deficits I just mentioned, and also take care of the \$4 billion trade deficit in motor vehicles -- the Toyotas, VW's, Yamahas, and the rest -- and also the deficits in metal ores, watches, clocks, cameras, wood and lumber.

That is some contribution! It is a story that should be told at every chance we get. One might wonder about the national economy without this unbelievably high performance by American farmers. Agriculture, with growing exports that now represent nearly one-fourth of all U.S. exports, is the brightest spot in our national trade picture, and we are going to need this strong agricultural trade even more as our dependence on foreign sources increases for the basic materials of industry.

Most of us are familiar with the unusual set of circumstances that led to the rapid "coming of age" that I have been discussing in our agricultural trade: the bad weather and crop shortfalls in many countries; the Peruvian fishing failure; the monetary changes; the nearly worldwide income growth and inflation; and, as a result of some of these factors, the entry of Russia into the U.S. market for more than \$900 million worth of grains and oilseeds, and of the People's Republic of China for more than \$200 million in farm commodities.

In making our export estimate, we have taken the transitory nature of most of these demand-stimulating factors into account, and we have added a new factor, the fuel crisis that has dominated the headlines for the past several weeks. We still think there is a good chance for U.S. agricultural exports to reach over \$19 billion in fiscal year 1974.

The record world crop of 1973 is mostly offset by the need for stock-building worldwide, which is shoring up demand and price. Incomes continue at record levels in much of the world; and the dollar devaluations which have occurred continue to enhance the United States as the world's agricultural shopping center for those who have more marks, or yen, or francs to spend on food and feed.

The picture in the marketplace for fiscal 1974 looks good. But once again, as at the 1973 Outlook, transportation -- the movement of the commodities sold -- is the big question.

Last year the problem was the sheer volume of commodities to be moved -- could the nation's distribution system move the 80 to 85 million metric tons forecast for fiscal 1973? Many said 85 million was impossible, but the United States ended up having shipped 92 million metric tons of agricultural commodities in export, an increase in volume over the previous year of 60 percent.

This year is different. Much of our export gain this year will be from price. We see an increase in volume of only two percent, to 94 million metric tons, very little more than last year, so we believe the system can do it -- the problem is fuel to keep the system working.

The only thing that can be said for certain at this point about the impact of the fuel crisis on agricultural exports is that it is uncertain. I don't think anyone has a handle on it firmly enough to make any predictions.

Most of what we read and hear is on the gloomy side, but until proven wrong, I prefer to take the optimistic view:



For one thing, we are well ahead of last year in terms of commodities moved. The total volume of shipments the first four months of this fiscal year was 34 percent greater than in the same period in 1972. With only one-third of the fiscal year gone, we have moved 45 percent of the export forecast for wheat and 40 percent of the feedgrains.

A total of 34 million tons of commodities had been shipped by the end of October. That means we can reach the estimate by shipping 60 million tons in the remainder of the year, 10 percent less than the final 8 months of last year. We could take the 20 percent reduction in shipping that I saw forecast the other day, and still be reasonably close to \$19 billion.

There will be bottlenecks, tie-ups, and some ships already are running at reduced speeds, but the momentum is there, and, even expecting the worst, we are in a better position in terms of moving the exports forecast than we were last year, when "they said it couldn't be done."

In addition to transportation problems, there is the impact of the fuel situation on the economies of the world. They are expected to slow down, but here again no one knows how soon, how fast, or how far down. Certainly the impact would be greatest on some of our key customers, notably the European Community and Japan.

But there is a bright side here, too. A good portion of the commodities for export in fiscal 1974 already has been bought. That includes nearly all the cotton, and we have experienced more and more forward contracting of grains.

Another question we can't answer is: how long will the oil embargo last?

Which brings a final question: "What ever happened to the good old trend line?"

And with only that fond thought for a simpler day, I will turn to a brief summary of the outlook by commodities, keeping in mind the uncertainties that bear on such an exercise at this unusual time in agricultural history.

Basically, the outlook remains the same as the official estimate of \$19 billion approved November 6 by the Outlook and Situation Board, but it is my own view that we can raise it slightly at this point, rounding to \$19.3 billion. I say this on the basis of anticipated higher prices for soybean oil and meal, and a slight boost in livestock and products.

Gains are forecast in all commodity categories except dairy products, with price, as I have said, by far the major factor.

We expect grain and feed exports to reach or perhaps exceed \$10 billion, an increase from last year of close to four-fifths, and representing more than half the total value of agricultural exports. Nearly all the increase will come from price. In fact, we estimate wheat volume will be down very slightly, from 1.188 billion bushels last year to 1.175 billion, but price will push export value to \$4.7 billion compared with \$2.4 billion last year.

Feed grain volume is expected to be up about 6 percent, to 37.7 million metric tons, with a total value increase of about 70 percent, to near \$3.9 billion.

Rice exports are expected to be up slightly, to 1.9 million metric tons, but prices are likely to average more than double what they were last year.

Exports of oilseeds and products are forecast at about \$4.7 billion, a third more than last year, despite the expectation that export volume will be at about the same level as in fiscal 1973. Soybean volume is expected to drop slightly, to about 500 million bushels.



Cotton shipments are estimated to exceed last year's 4.7 million bales by over a million bales, with value increasing by about two-thirds, to almost \$1.3 billion. The shortage of oil, the primary raw material for synthetics, can be expected to accelerate the current strong demand for cotton.

We expect livestock and meat product exports to be up about 10 percent, to \$1.3 billion. A drop in lard exports is likely to be offset by small increases in volume, value or both in the other products.

Those are the big four -- grain and feeds, oilseeds and products, cotton, and livestock and products -- from which we expect to get \$17 billion of the \$19.3-billion export return.

Among the remaining commodities, exports of fruits and vegetables should be up by 20 percent to about \$950 million; we estimate tobacco exports to expand slightly to a little over \$660 million; poultry to be up about 20 percent to \$117 million; sugar and tropical products up 12 percent to about \$250 million, and dairy exports down more than two-fifths to \$43 million.

A look at commodity destinations in this fiscal year 1974 export forecast turns up some interesting, and significant, facts.

It shows U.S. agricultural exports to Asia up by 70 percent, surging well past those to Western Europe to reach almost \$8 billion. This is about one-third greater than anticipated shipments to West Europe of about \$6 billion, an increase for Europe of over 30 percent.

Within the Asian total, Japan probably will become our first \$3-billion country market, and the People's Republic of China is likely to take \$1 billion worth of U.S. farm commodities.

The PRC purchases will more than offset the expected decline in shipments to the Soviet Union, and will come mainly from increased sales of wheat, soybeans and cotton, with cotton shipments likely to be around 750,000 bales.

The bumper Soviet harvest is expected to cut back U.S. shipments to that country from \$955 million to around \$790 million, a decline of 17 percent. At the same time, we anticipate a gain in Eastern Europe of more than 50 percent, to around \$700 million.

Two more things struck me about the export forecast by destinations.

One was the spectacular gains estimated for regions of predominantly developing countries -- a gain of almost two-thirds to Latin America, three-fourths to Asia outside Japan and the PRC, and more than double to Africa.

The total is more than \$6 billion to developing regions, and, as you know, the great bulk of that will be commercial sales for dollars. This seems to me to bear out the predictions of some years standing that these countries could and would become important markets, and to indicate the potential that is there when they really get going.

The other aspect that came to mind, perhaps because it is back in the news now that the Trade Reform Act is once again before the Congress, is that U.S. agriculture this year has an export market in the neighborhood of \$2.5 billion in countries that do not now enjoy Most Favored Nation trade treatment from the United States. That would be the Soviet Union, the PRC, and most East European countries.

True, these are all managed economies, where the state makes the buying decisions, but that \$2.5 billion shows the potential of these markets for agriculture, and indicates to me that they are worth cultivating.

Secretary Brunthaver has taken me off the hook by touching on the agricultural supply and demand outlook for 1975 and beyond. I am grateful to him, and if you ask me to go one step further and put a price tag on U.S. agricultural exports for 1975, I will say, "more than last year's \$12.9 billion, but less than this year's anticipated \$19.3 billion, probably on the lower side of that scale, say \$15 to \$16 billion."

These are hectic, and often frustrating, times in agricultural trade, but it seems to me they are teaching us a few things.

We have had a dramatic demonstration of the power and the pull of the marketplace when consumers prosper -- U.S. export gains of close to \$5 billion last year and more than \$6 billion estimated this year.

We are learning that Western Europe no longer dominates as a market for U.S. agricultural commodities; and we should deduce from this that we would be well-advised to increase our intelligence and to introduce appropriate market development activities in countries with managed economies, and in some developing countries. We have, for example, an attache staff of only three people to cover all of the Soviet Union, and no one in the People's Republic of China -- between them a market of over one billion people and producers of a quarter of the world's grain.

The American people are learning, the hard way it is true, that agriculture is the most important pursuit in this society -- for the food and fiber it produces, and also for what it contributes to the nation's economic and international stability.

Finally, and most important, I think most people in most places are becoming aware of how interdependent nations are, that self-sufficiency in the seventh decade of the 20th century is not compatible with maintaining or improving the national standard of living -- that indeed, the national survival of entire countries is increasingly dependent on trade -- agricultural trade in particular.

Yes, the world's peoples are finding they need some things that only other countries can supply in sufficient quantities. They are finding they need grains, food and fiber from the United States, oil from the Middle East, rubber from the Far East -- the whole long list; and they are finding they need each other as markets for what they themselves produce well, so they can afford to buy what they want, and what they must have.

What we, in the United States and in countries around the world, do with what we are learning in these times of change is up to us. The challenge is written plain.

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FORECAST FOR THE FUTURE

Talk by Carroll G. Brunthaver  
Assistant Secretary of Agriculture for International  
Affairs and Commodity Programs  
at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 1 p.m., Monday, December 17, 1973

Current Outlook

Let me say at the beginning of this outlook speech that world demand for farm products in 1974 continues to look strong. World stocks of commodities are low and demand has continued to increase. As a result, I think U. S. farmers can look forward to generally strong prices for their 1974 crops -- even with increased output. I don't foresee sensational prices, but I certainly expect prices that will offer our farmers a strong incentive for expanded production.

Long-term Outlook

I don't think the 1974 Outlook Conference can be content with simply examining the picture for one year. Farmers are currently weighing long-term investments in land and production technology. Most of our easy gains in farm output capacity have already been made. Most of our extra acres came back into production last year when the set-aside regulations were relaxed to encourage more plantings. If farmers are going to continue to increase production, most of the gains will have to come through investments in technology. The investments they're considering now will take a longer period to pay off -- investments like terracing, irrigation, improving forage stands, and new livestock production systems.

For the long term, I believe the outlook for American farmers is excellent. I think the world is moving toward fuller use of its agriculture resources -- and that has to be good for U. S. farmers who are the most productive and efficient in the world.



### World Demand Growing Faster

The recent trends in world agriculture support this view.

Perhaps the clearest trend is the rising level of world grain usage. During the past six years, world grain use has been increasing at an average rate of about 30 million metric tons a year. This rate is 50 percent higher than the rate in the early and mid-1960's and about equal to the combined yearly wheat crops of Canada, Australia and Argentina.

Even more important than the size of the annual increase is its consistency. World grain usage has increased substantially in each of the past years.

The reasons behind the consistent demand growth for grain in the world are simply more people and more money. Populations are growing, and that means more demand for food grains. Even more important, incomes are growing. The real output of the 24 nations in the OECD will rise an estimated 7 percent this year, and increased nearly 6 percent last year. Per capita output in both the developed and developing countries in recent years has increased by 3 to 4 percent per year.

With this increased income, people want to eat better. Particularly, they want to eat more protein and higher quality protein. That means more demand for livestock products...for meat, milk and eggs.

I can't emphasize too strongly the importance of this protein equation. It takes far more farming resources to produce protein than it does to produce calories. It takes three pounds of grain to produce a pound of broiler. It takes five pounds of grain to produce a pound of pork, and seven pounds of grain to produce a pound of beef. Expensive as it is, however, people are buying more and more high-quality animal protein.

In earlier years, a country with a poor grain crop merely tightened its belt and waited for next year's harvest. Now it goes into the world market and buys grain to tide the nation over.

Russia did this in 1972. Actually, their grain shortfall in 1963 was larger than the one in 1972 -- but in 1963 they slaughtered livestock and kept their imports down. It took them 5 or 6 years to rebuild their herds. In 1972, they kept their herds and went into the world market for massive amounts of grain for their people and their animals.

#### U. S. Supplies Growing Share of Farm Product Demand

In the last 10 years, world grain consumption has increased from 656 million metric tons to 942 million. That's a 44 percent increase. World exports have jumped from about 95 million tons to 140 million, up 45 million tons. U. S. grain exports have gone from 37 million tons to 69 million -- and that is an increase of 32 million tons.

In other words, nations of the world are using more grain, they are buying more of what they use in the world market, and more of what they buy is coming from the United States. The big factor in world grain expansion has been U. S. corn.

The story in protein meal is much the same.

In 1964, the world produced 38 million tons of oilseeds and protein meals (soy meal equivalent). The United States produced 45 percent of it. In 1973, the world produced 56 million tons, and 51 percent of it came from the United States. Next year, protein production is expected to jump to nearly 66 million tons, with the U. S. producing 52.6 percent.

The world's food economy is running increasingly on U. S. corn and soybeans.

1974 - Record Output for Record Demand

For 1974, we expect record world agricultural production. However, we also expect record world usage. The consumption-production balance, in fact, will probably continue tight with only a small recovery in the world's very low stockpiles of commodities during 1974. Even if 1974 is above trend in grain yields and stocks recover significantly I would still expect markets to continue strong at least until we approach the 1975 harvest.

We expect world feed grain production next year will top this year's record by more than 30 million tons. The U. S., the Soviet Union, Australia and South Africa are all expected to increase their feed grain production, with the U. S. output up some 20 million tons.

Wheat production is likely to be up by 24 million tons, again with a major share of the increase in the Soviet Union. Canada, the United States and Australia are also predicting increases.

It will take almost all of these production increases just to supply current world demand. U. S. feed grain exports will be nearly as large as this year's, and domestic consumption will be higher than this year. Feed grain stocks will not be as tight as this year, but they will not be very loose either.

Wheat exports too will be large, and wheat stocks carried out at the end of the year will still be tight. Wheat feeding will probably drop again in the U. S. because of short supply and increased availability of other feeds.

Rice demand will be strong, and carryover stocks will be down again.

Grain stocks in major exporting countries have dropped from a peak of 152 million tons two years ago to a current estimate of only 100 million tons next July.

### Farm Product Demand Factors

Most of the same factors that produced this year's strong farm product demand will still be with us for 1974. Consumers have continued to get more and more income. World livestock herds have continued to build in response to consumer demand. The Soviet Union and the People's Republic of China are still open markets for American farmers.

Devaluation of the dollar is still a factor too, strengthening the comparative advantage of the American farmer. The world's weather will very probably be better than 1972, but even in normal years some region of the world has weather problems.

### Impact of the Oil Crisis

The only factor that seems capable of stalling the continued growth in world farm product demand growth for 1974 is the oil crisis. An oil-triggered recession in the United States or in one of our major markets like Japan could hold down consumption of farm products.

We have high hopes, of course, that the Middle East crisis can be solved, and the Administration is working around the clock toward that end. Most of the world's economies are making strong efforts, too, to channel their available energy supplies into industry, to minimize the impact on jobs and buying power. The U. S. is in a relatively strong position, because we import only 15 percent of our energy even in normal times. The current economic forecasts indicate little or no growth in our economy, with the first half of the year especially slow -- assuming the oil embargo will be lifted by the second half of the year. That would not indicate a sharp cut in U. S. food buying. Some other countries like Japan are more dependent on oil imports, and could conceivably be hurt more.



If the oil problems do have a sharp economic impact, however, the U. S. farmer's competition is likely to be hurt worse than he is. In the first place, our farmers have been given a very high priority on available energy supplies.

Farmers in other countries are likely to run short of fuel and fertilizer before we do...and if production is cut back prices will rise. Also, some oil-based synthetics are likely to be cut back sharply -- such as synthetic fibers and protein produced from petroleum.

On balance, I don't expect the U.S. farmer to be seriously hurt by the oil shortage in 1974.

#### Forecasts for the Future

I do have several forecasts for the future:

\*FORECAST: Farm production will not increase as fast in the future as some people have thought. Future increases will not be cheap or easy. Almost all of our productive farm acres are already in production -- either row crops or forage for livestock. Future increases will have to come through investments in technology -- better seeds, more potent fertilizers, better processes, new equipment.

The Economic Research Service recently projected that we could, by 1985, be producing 50 percent more feed grain, one-third more soybeans, 30 percent more cotton, 4 times as many peanuts, and have 44 percent more beef cows. I think they could be right. We could...but only under their assumed conditions. That study assumed incentive prices for farmers for 12 straight years! It assumed a very favorable net profit ratio similar to \$2.75 corn and production costs about 5 percent above last year.

I think consumers can take comfort from this production potential. We will have no shortage of food to eat.

Farmers can take comfort from the fact that we would not produce that much unless conditions were very favorable for farmers. I doubt that we will have incentive prices every year for the next 12 years -- though I think farmers will have incentives to boost production in most of the next 12 years.

\*FORECAST: Weather will continue to vary and affect agricultural production and world trade. Weather has always varied, and always affected production. Even with the recent weather problems, we have had three good corn years in a row in the United States. Russia has had four or five good years in a row in her risky New Lands. India's monsoon fails on the average once every 5 years. We have drought in the U.S. on 20-year cycles, though we can handle drought today better than we used to. Weather will continue to be a problem somewhere in the world almost every year, bringing different nations into the world market for farm products.

\*FORECAST: The "Protein Principle" will continue to boost world farm product demand. Every day, around the world, more kids learn to read, more people learn more new technology, new research is started, new machines boost productivity. All of these things boost incomes and the demand for better diets with more protein and higher quality protein.

The Soviet Union is putting very great emphasis on improving total meat availability for their people. To retain the confidence and cooperation of their people, they must have more consumer goods -- especially more meat.

The Soviets told me on my recent visit that it costs them about as much to produce a pound of poultry meat as it does a pound of red meat. They are tremendously interested in improving their broiler efficiency -- and they cannot do that without high-quality feed rations.

Our experts on the Russian economy see no way that the Russians can achieve their target livestock growth without significant imports of feedstuffs in most years. In the last three years, Russian feed grain imports have averaged 5 million metric tons.

China has one-fourth of the world's population. Their current standard of living is extremely low. However, they are developing technology, and buying it from outside countries. We can expect slow but steady growth in the Chinese economy and the Chinese standard of living. It would presumably take about a million tons of grain a year to provide the Chinese population with a pound of poultry meat per person.

I also have vivid impressions from my visit to Japan two weeks ago. The Japanese told me they currently consume about 350,000 metric tons of beef a year. They want to increase this to 800,000 tons by 1982 or possibly sooner. That is going to mean increases in both their feed usage and their meat imports.

One of the big Japanese trading companies is currently looking for long-term commitments from the U.S. on whole broilers. They expect Japanese per capita poultry consumption to double again in the next few years. They have already had to move their own broiler operations from the big island of Honshu down to the southernmost island of Kyushu because of pollution problems and labor costs.

Land costs may have affected their decision too. I was told of rice paddy about 75 miles south of Tokyo which was recently sold to a developer for \$200,000 an acre!

A demonstration beef feedlot was recently set up on a Japanese hillside. The land cost \$80,000 to buy - and \$120,000 to level. Feeder steers to stock it cost \$530 each and their total production cost was \$880 per steer. Obviously, the cost structure of livestock production in Japan is very high -- which means opportunity for U.S. producers.

Incidentally, we have just completed an excellent slide-tape presentation entitled "The Pull of the Marketplace" which documents and illustrates the economic growth taking place in countries around the world, and its impact on farm product demand. The slides are being shown several times a day here in conjunction with the Outlook Conference, and they will be available after the first of the year through State or local ASCS offices across the country. I urge all of you to see the presentation.

\*FORECAST: The burden of carrying the world's food and feed reserves will be shared more equitably. The Commodity Credit Corporation of the United States is no longer the world's stockpile, and the past two years have vividly impressed that fact on commodity buyers and sellers around the world. The American miller and the Dutch soybean crusher know that nobody else is going to guarantee their supplies for them. Unless they have stocks, they may not have products or profits. U.S. exporters know that they can't rely on CCC stocks or an export subsidy to provide working stocks and price protection.



If they want to sell grain they'll probably need to own more grain than in the past. Food importing nations are taking new interest in building reserves to protect their peoples' food supplies. All of these interests have a new incentive in sharing the costs -- and advantages -- of reserves.

That's why the Japanese are buying cotton from the 1975 crop, and the Taiwanese have signed 3-year commitments with exporters for grain and soybeans. That's why U.S. farmers are getting more and more forward bids for production.

One tangible benefit for U.S. farmers is that during future periods of stock-building, these buying interests will be competing for stocks. In the past, they have let the stocks flow into the CCC at support prices.

\*FORECAST: Access to supplies will be a more important part of future trade negotiations. The world is facing a demand explosion, with more and more people bidding for the available supplies of farm products, timber, energy minerals, chemicals and all kinds of resources. Export embargoes and rationing of export supplies are becoming as bothersome as tariffs and import levies. Open trading is the fairest way to share these scarce resources, and while little attention has been given to supply access in the past, this could become one of the more important items of negotiation in the future.

\*FORECAST: U.S. farm exports -- which have bailed out the dollar in the last two years -- will continue to lead our economic resurgence. In the first three quarters of 1973, farm exports accounted for nearly one-third of the value of this country's exports. In that period, our trade deficit was only \$144 million -- compared with more than \$5 billion in the first three quarters of 1972. Our non-farm trade balance improved by \$600 million this year - and our farm trade balance improved by \$4.3 billion. It is easy to see that without our farm exports the U.S. dollar would be in extremely serious trouble around the world.

Farm exports, by keeping the dollar strong, are lowering the cost of living for everyone in the nation. Without imports, the cost of many of the things we buy would be higher -- if we could get them. We import things like coffee and bananas and tin because we cannot produce them ourselves. We import things like oil because we do not produce enough. We import many other things because we can buy them more cheaply overseas. Without the foreign earnings from our farm export sales, we would not be able to import many of these things. Our cost of living would go up while our standard of living went down.

I expect American farm exports to continue making a major contribution to our balance of trade. These exports will help hold down our cost of living by strengthening the dollar.

Let me close by repeating that 1974 looks like a very good year. Nineteen seventy-five also looks favorable from what we can see, with more ample world supplies. There should be some rebuilding of stocks in 1975, but with many buyers wanting to protect themselves by holding more stocks.

Nineteen seventy-six will be a crucial year. World stocks may be higher, and we would be coming off three years of incentive prices. Profit margins will turn on weather, income growth and competing production.

Beyond 1976 I have no specifics at all -- but I expect a higher level of incentive for farmers than we have had in the past. If we do not have such incentives, I predict the world won't have the farm production it will need.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

Agricultural Outlook 1974

Talk by C. Kyle Randall  
Chairman, Outlook and Situation Board  
at the 1974 National Agricultural Outlook Conference  
Washington, D. C., 3:30 p.m., Monday, December 17, 1974

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The strong upsurge in domestic and foreign demand against available supplies of U.S. farm products has fueled a sharp climb in prices of farm products, in farm income and in farming assets. Prices received by farmers this year will average over 35 percent higher than a year earlier. At over \$25 billion realized net farm income will be up around \$5-1/2 billion from last year and by far the highest of record...and farm real estate values have enjoyed a record increase this year.

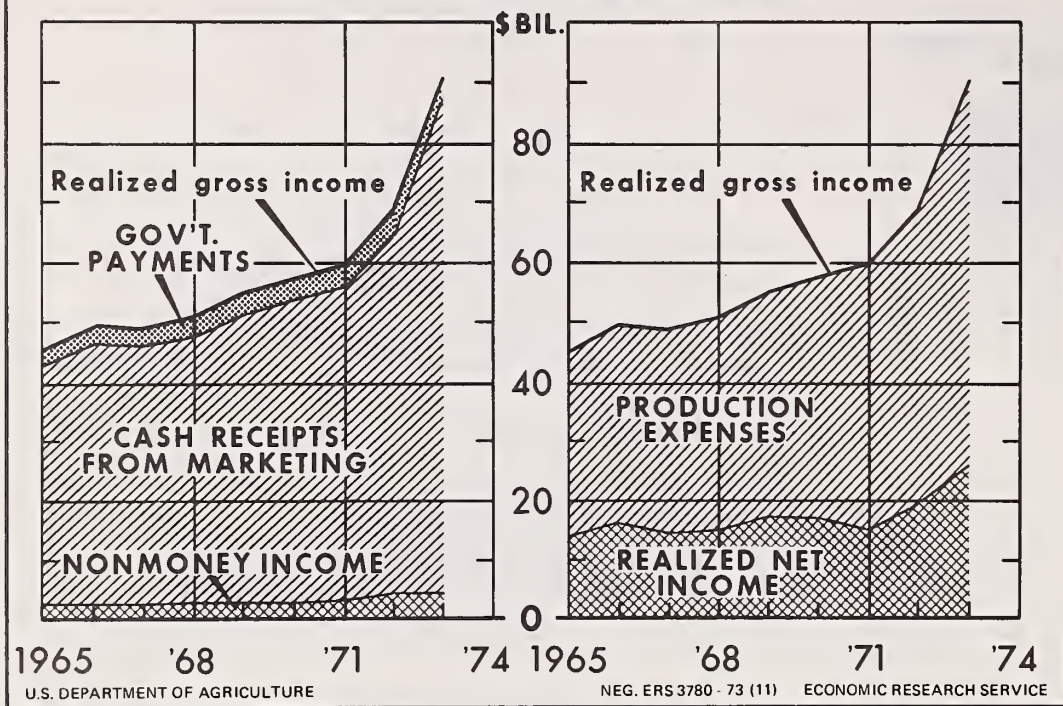
In 1974 farm prices of both crops and livestock are expected to average about the same as this year. Some increase in livestock marketings is likely, especially in the second half of the year. Marketings from 1974 crops should also be up some in the latter part of the year. Cash receipts from livestock will probably increase slightly. Crop receipts are harder to figure. They may be up slightly to down some, depending on export levels, grower response to liberalized program provisions and the impact of weather on growing conditions in 1974.

Direct government payments will be minimal next year - down sharply from 1973's \$2.6 billion. This means realized gross income will be down some in 1974, and with a rise in prospect for production expenses, realized net income will likely slip. But the forecast for 1974 - \$20 to \$23 billion would still be higher than any year except 1973.

The spread of \$20-23 billion for realized net income represents more than just excessive bureaucratic caution. If growing and harvesting conditions are adverse, 1974 crop output would be reduced and farm prices would likely exceed 1973 levels. In the face of strong demand, net farm income would likely fall only about \$2 billion. Conversely, good growing conditions and larger crops would place pressure on prices and farm income could drop around \$5 billion during 1974. In addition to the usual assumptions, I am also



## FARM INCOME COMPONENTS



assuming that farmers will have enough fuel, fertilizer, and other inputs to step up output in 1974. Prices of fuel and fertilizer would be substantially higher. If this assumption turns out to be wrong and the energy situation deteriorates further, output would be lower than projected here.

It goes without saying that a dollar of net farm income doesn't go as far as it did some years ago. In fact, if you convert 1973 realized net income to constant dollars of 1967 purchasing power you wind up with about \$18-3/4 billion for 1973. But even on a deflated basis, this is well above anything since the World War II period of the 1940's.

Farm production expenses are rising sharply to nearly \$65 billion in 1973. This is up nearly a third from 1972. The increase of \$15 billion in farm production expenses for 1973 was about equal to the entire amount of realized net farm income as recently as 1971.

Production expenses for inputs of farm origin - feed, purchased livestock and seed - rose nearly 50 percent, from around \$18 billion in 1972 to over \$26 billion in 1973. In 1972 farm origin inputs made up 36 percent of total farm production expenses. In 1973 the percentage is 41 percent. Even though costs of inputs of farm origin accounted for near 60 percent of the total increase in production expenses, there were also significant increases in expenses for nonfarm inputs as well.

In 1974 we expect a smaller increase in production expenses - perhaps in the order of 5 percent. All of the 1974 increase will be in expenses for nonfarm inputs. Expenses for farm origin inputs may total much the same as this year.

Expenses for farm originated inputs differ from nonfarm inputs in two significant ways. Much of their cost represents income to other farmers. And their prices have some tendency to come down as well as to increase.

### Review of 1973 Output

A whole series of events combined to bring the unprecedented levels of farm prices and incomes this year. In 1972 the world crop of cereal grains declined 3 percent compared to a recent trend increase of 3 percent annually. Seldom if ever in modern times had crops been so poor in so many major producing countries at the same time. A shortage of fishmeal reduced world supplies of protein feeds. These events at a time when world demand for food and feed grains was rising rapidly stimulated record large exports of grains and soybeans from this country. We harvested bountiful crops but even so, the strong demand raised prices and reduced stocks.

Wet weather seriously delayed our harvest of corn and soybeans in the fall of 1972. Weather continued adverse through the winter and wet weather and flooding delayed planting of 1973 spring crops.

Spurred by massive grain purchases by the USSR the value of U.S. exports of farm products climbed to \$12.9 billion for FY 1973.

Sharply rising feed prices, especially protein feeds along with retail price controls discouraged expansion of livestock and poultry products which added to the upward pressure on prices.

But the 1973 crops did get planted and yielded the biggest farm output on record including record crops of corn, wheat, and soybeans.

### Consequences

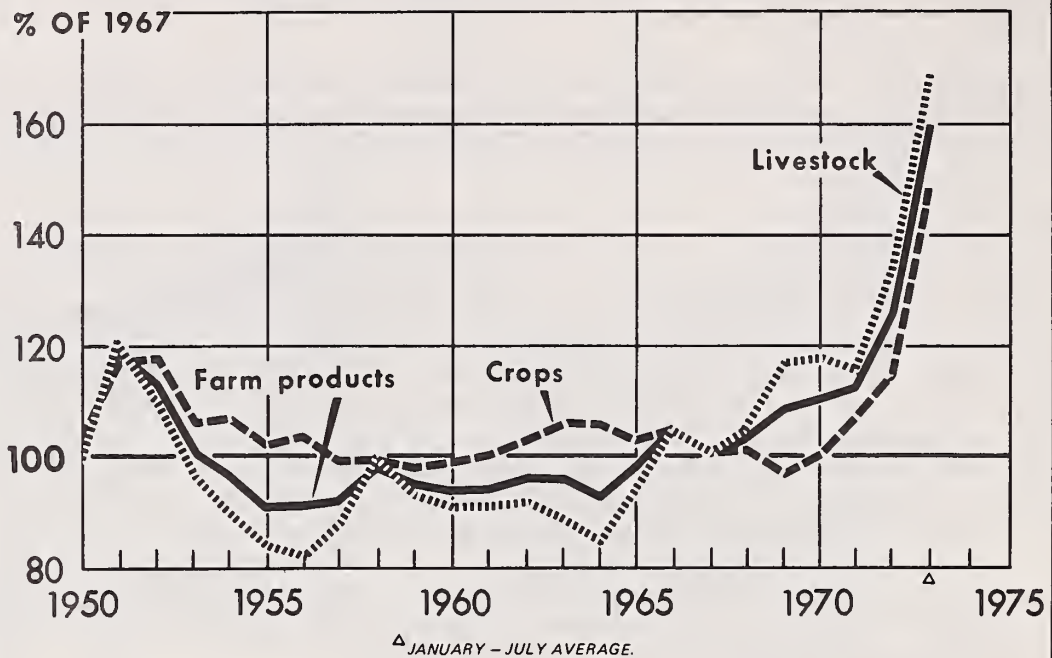
Even these record crops of corn and wheat will be no match for domestic disappearance and exports so there will be further reductions during the current marketing year from already low carryover stocks of wheat and feed grains. However, the record crop of soybeans should be adequate to meet domestic crushing and export needs and lift soybeans stocks next September well above the bare minimum level of September 1, 1973.

The expected supply-disappearance relationship for grains points to strong prices for grains with 1973/74 season average prices for both wheat and corn from 50 to 100 percent above 1972/73 prices.

### Output in 1974

Projections indicate substantial increases in acreage and production of grains in 1974 given generally adequate supplies of fuel and fertilizer.

## PRICES RECEIVED BY FARMERS

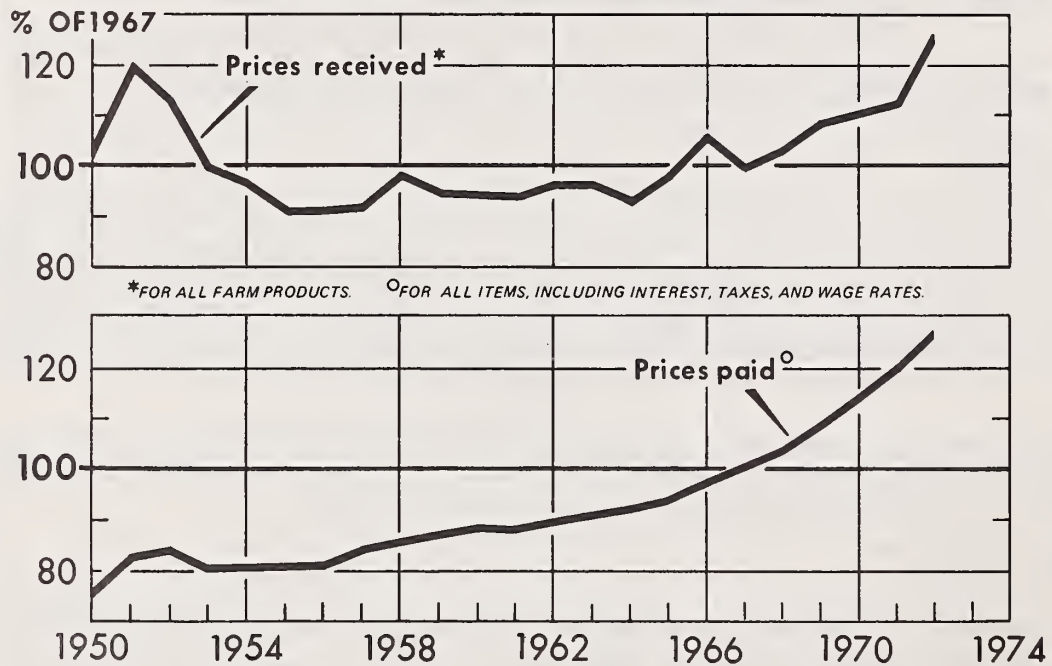


U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 7878 - 73 ( 8 )

ECONOMIC RESEARCH SERVICE

## FARMERS' PRICES, 1950-72



U.S. DEPARTMENT OF AGRICULTURE

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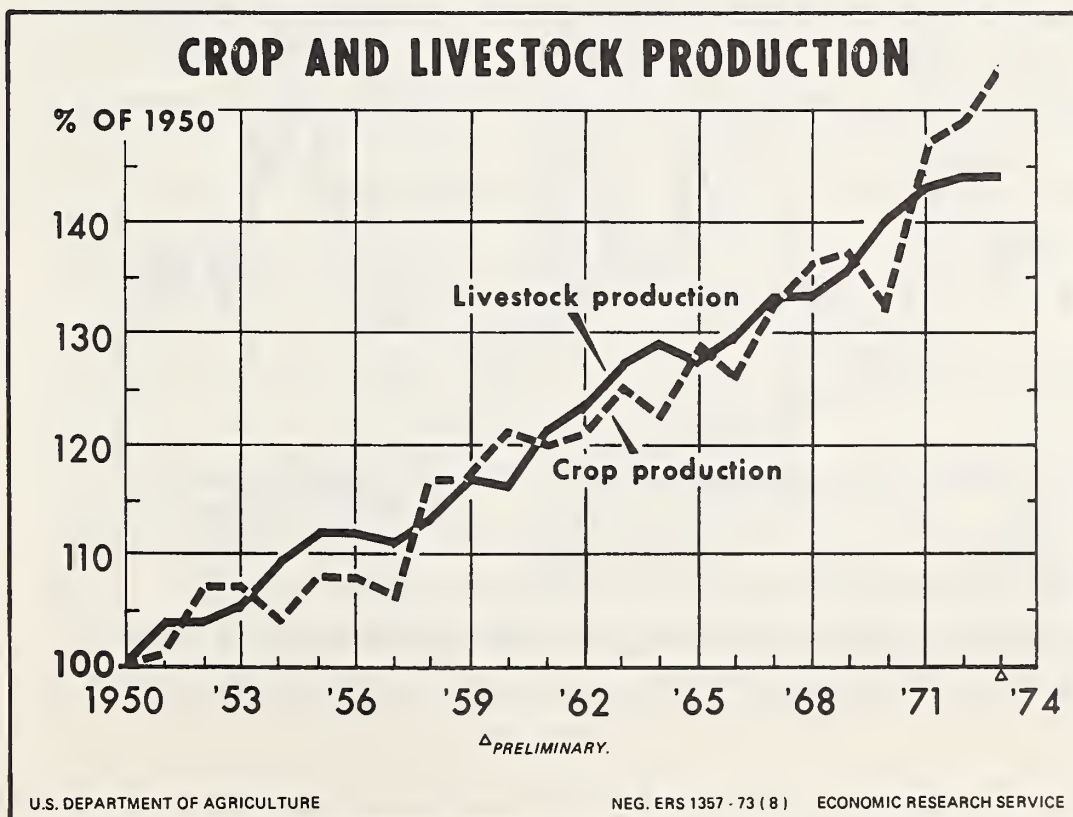
The 1974 wheat crop could reach 1.9 billion. This together with somewhat smaller total exports projected could add around 200 million bushels more to the extremely low carryover by July 1, 1975. Similarly, projected production of corn at 6.4 billion bushel and total feed grains at 228 million tons would be adequate for projected requirements and some rebuilding of stocks. Soybean acreage and production next year may not equal 1973, but with increased carryover total supplies should be ample for domestic requirements and exports.

A word of warning about these projections. They represent the best judgment of knowledgeable people. However, except for winter wheat they are projections of crops yet to be planted. Winter wheat has been planted and we get our first report of these plantings later this week. For the others we will have intention reports in January and March. But to paraphrase an old sentimental song that is meant for an aging lover but could include us forecasters, - "It's a long long time from March to November," and many things could happen to affect the size of the 1974 crops of grains and soybeans before they are safely in the bin nearly a year from now.

Output of livestock products will be up next year with all of the increase in beef and poultry. Milk output may be down a little but there is little or no indication of any change in pork output.

### Food Situation

Per capita food consumption in 1973 is down about 1-1/2 percent from 1972. A slight increase in crop foods, largely fruits and processed vegetables, only partly offsets the 3 percent decline in consumption of livestock products. Per capita consumption of red meat is down 6 percent, the largest decline in 25 years.



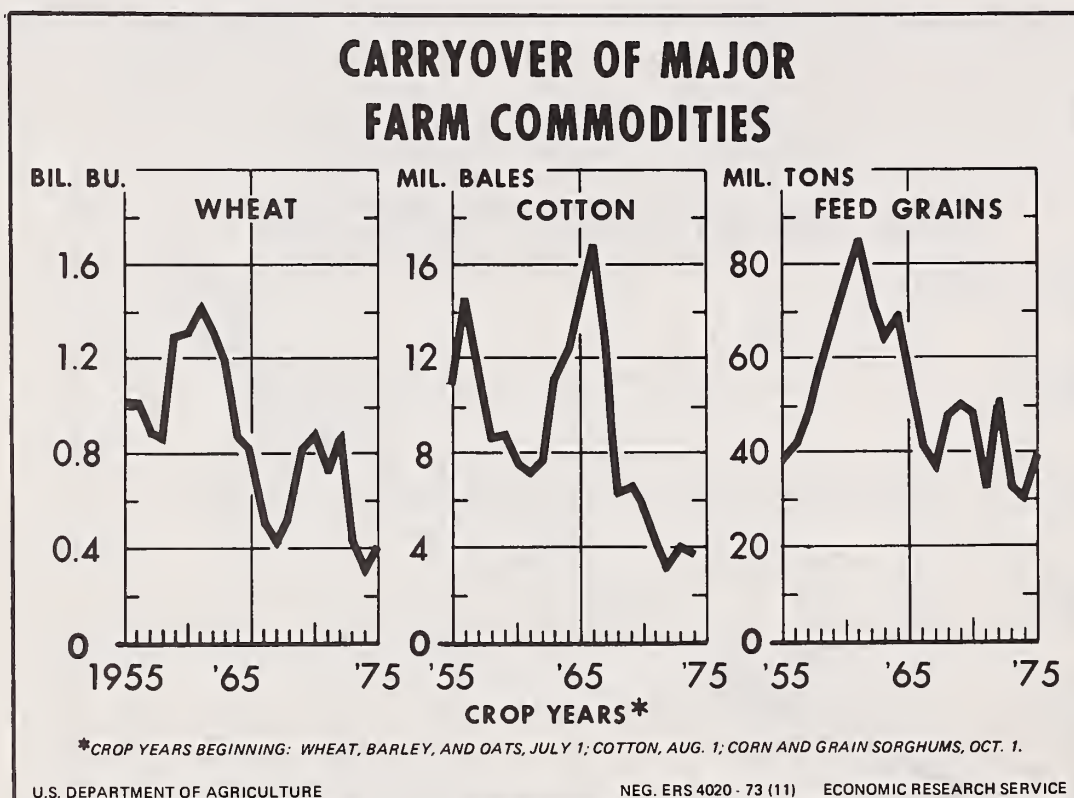


Per capita consumption may recover much of the loss next year. Livestock food consumption may move up about 1-1/2 percent with red meat supplies recovering about half of this year's loss and poultry consumption resuming the upward trend to attain new records. Consumption of crop foods is likely to rise again fractionally.

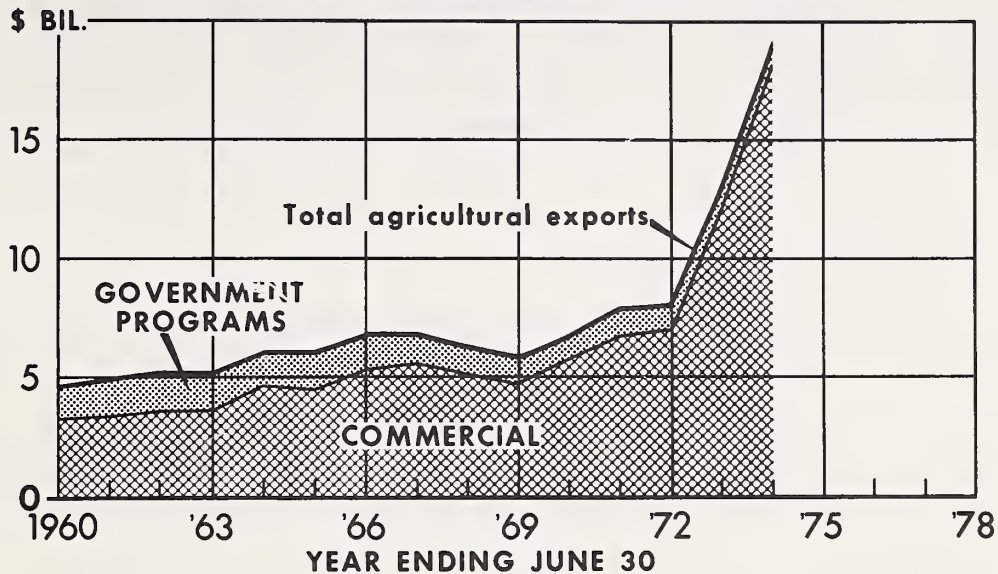
Data for the final two months are not yet in but grocery store food prices for all of 1973 are turning out about 16 percent above 1972. Prices for food away from home have risen at about half the rate of at-home prices, so the all food retail price index will probably average about 14 percent above last year for all of 1973.

Food prices rose sharply through August 1973. From a rise of less than one percent from the third to the fourth quarter 1972, the rate of quarter to quarter increase jumped to an average of 6 percent for the first 3 quarters of 1973. We expect food prices leveled off in the fourth quarter.

Grocery store food prices are likely to rise on a fairly broad front again in the first quarter of 1974 as meat supplies shrink and prices of other items continue their advance. Average grocery prices are expected to remain nearly constant during the second quarter of 1974. On an aggregate basis, increasing margins are likely to offset declining farm prices. And among the commodities, declining meat and poultry prices may offset increases for most other categories of food.



# U.S. AGRICULTURAL EXPORTS: COMMERCIAL AND UNDER GOVERNMENT PROGRAMS



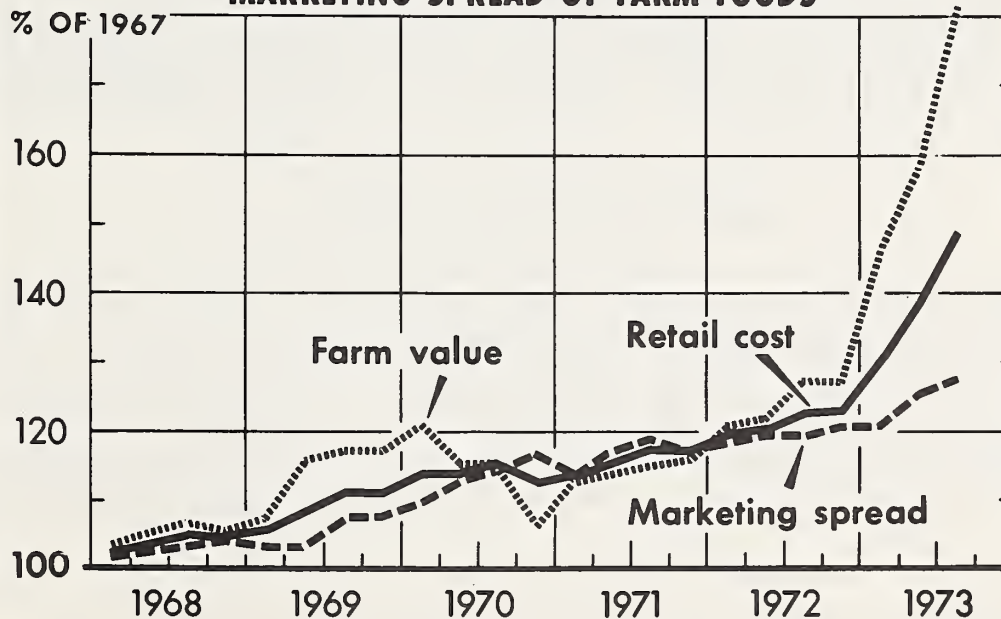
FISCAL 1974 DATA ESTIMATED.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 398-73 (12)

ECONOMIC RESEARCH SERVICE

# RETAIL COST, FARM VALUE, AND MARKETING SPREAD OF FARM FOODS \*



\* FOR MARKET BASKET OF FOODS ORIGINATING ON U.S. FARMS.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 267-73 (11)

ECONOMIC RESEARCH SERVICE

Retail food prices for the last half of 1974 will be strongly influenced by world crop developments as well as domestic meat and poultry supplies. Also, food prices will reflect movements in U.S. farm-retail spreads, which are almost certain to widen further. Good crops and more normal relationship between livestock inventories and slaughter rates likely would mean lower prices for farm products, and retail food prices might change little from expected fourth quarter 1973 levels. This would mean only a moderate increase in average 1974 prices over the 1973 average. Bad weather, greater than expected production problems because of the energy crisis, and a further surge in demand would boost retail prices more strongly during 1974, causing a substantial increase from the 1973 level but well below the sharp 1973 advance.

#### From Farmer to Retailer--The Margin

The retail cost of the farm food market basket rose to \$1,604 in the third quarter of 1973. This was an increase of 7 percent from the previous quarter and a rousing 21 percent above a year earlier. Of the \$107 increase in the retail value from the second to the third quarter, \$96 was an addition to the farm value and \$11 accrued to the farm-retail spread. Meats, poultry, eggs, dairy and bakery and cereal products received the big increases in farm value. Fresh fruits and vegetables accounted for the increase in the farm-retail spread.

The farmer's share of the retail food dollar reached 51 cents in August, the first time it exceeded half the retail cost in over two decades. Then it fell back to 44 cents in October. The farmer's share has averaged 45 cents so far this year compared with a range of 37-41 cents for the previous decade.

Charges for assembling, processing, and distributing foods from U.S. farms are expected to increase sharply in the last quarter of 1973. As a result, the retail cost of market basket foods will not fully reflect any decrease in returns to farmers that may occur. Marketing spreads usually tend to widen when prices fall rapidly, and pressure for marketing firms to widen their margins appears to be even greater than usual.

#### Financial Position of Farmers

The value of assets in the farming sector as of January 1, 1974, will total \$441 billion, up 15 percent from a year earlier. Farm real estate makes up 2/3 of these assets. Total debt claims against these assets at \$80 billion were up 9 percent. With the value of assets increasing faster than debt, debt amounted to 18 percent of assets compared to 19 percent a year earlier. The ratio of net income from farm sources to total debt outstanding is one measure of farmers' ability to service their outstanding debt commitments. This ratio is expected to be about 36 percent by the end of 1973, up some 4 percentage points from the ratio reported for the end of 1972.



Farm real estate prices were rising rapidly in late 1972 and early 1973. They continued to rise sharply into November 1973. Preliminary data suggest that the November 1972 to November 1973 increase in per acre land prices averaged 20 percent nationally. This would be a record for land price increases in any 1-year period. It would mainly reflect farmer optimism over income and commodity prices and readily available but higher cost loan funds. Farm operators continue to buy land for enlargement purposes and invest in capital improvements. Land prices will continue rising sharply but the rate of increase will be below the rate of about a fifth anticipated for 1973.

Interest rates on farm loans in 1973 have averaged well above those in 1972 for short term and intermediate credit but only slightly higher for farm mortgage debt. With interest rates rising during 1973 and farmers using more borrowed funds, the interest charges on farm debt have increased substantially. Farm interest payments for both long and short term debt in 1973 total about \$4.8 billion, 13 percent more than 1972.

Annual capital formation in the farm sector is comprised of gross investment in real estate and nonreal estate assets plus uses of funds to increase cash working balances and farm inventories as well as to purchase real estate assets from farmers leaving agriculture. Total capital formation in 1973 is estimated to be \$26 billion, up around a fourth from 1972. The bulk of the investment has gone into machinery, motor vehicles, and household furnishings, and to purchase real estate assets from farmers leaving the sector.

Much of the increase in the rate of annual capital formation in 1973 was in response to the record earnings of farmers. Interest on new loans did not begin to rise substantially until the second half of 1973 and loan funds were available for those who were able to pay the going interest rate. Farm borrowings provided the remaining source of funds for financing annual capital formation. The net volume of new farm mortgage loans provided about \$3-1/2 billion, and slightly more than \$4 billion came from the net flow of short and intermediate loan funds.

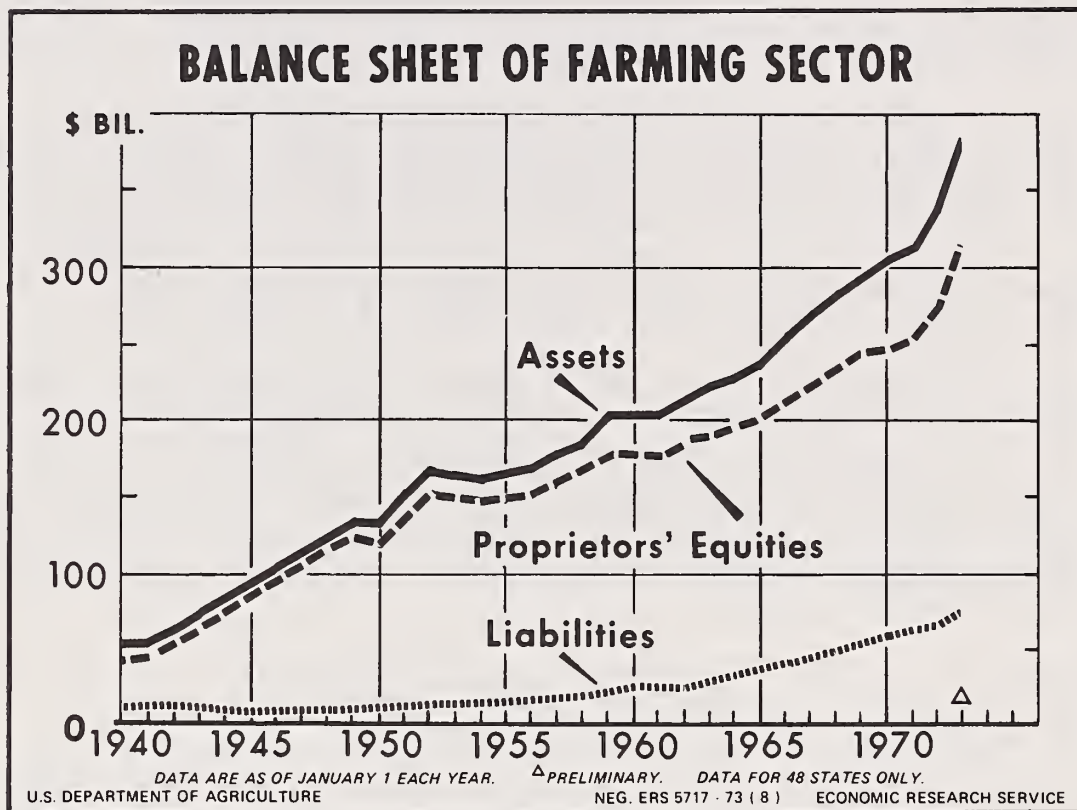
About \$18 billion or 70 percent of the \$26 billion used to finance annual capital formation in 1973 came from the cash flow of income during the year. This was an increase from the 60 percent in 1972.

Farm input, prices paid and received by farmers, and interest charges on new farm loans are the major factors that will likely influence financial developments in the farm sector in 1974. Physical quantities of inputs used in production and commercially marketed farm output will increase. Prices paid for farm real estate assets are likely to be strongly influenced by farm income levels and the interest rates on new farm mortgage loans, but farmland prices will continue to rise.

Capital formation in the farm sector in 1974 is expected to fall below the 1973 level since net farm income is expected to be below this year but it will cost more to buy land in 1974 because land prices will be higher.



By January 1, 1975, total assets of the farm sector may reach as much as \$498 billion, up 10 percent from a year earlier if interest rate trends moderate in 1974. Total loans outstanding on January 1, 1975 are estimated at \$90-92 billion.



# Food Consumption and Prices 1968-1973

Item	Unit	1968	1969	1970	1971	1972	1973 1/
Food Consumption Per Capita	:(1967=100)	101.2	101.5	102.8	103.3	103.7	102.1
Livestock Food	do.	101.5	101.2	102.5	103.8	103.5	100.0
Crop Foods	do.	101.1	102.0	103.1	102.8	103.9	104.6
Food Prices	do.	103.6	108.9	114.9	118.4	123.5	140.6
At Home	do.	103.2	108.2	113.7	116.4	121.6	140.5
Away From Home	do.	105.2	111.6	119.9	121.6	131.1	140.8

ERS 12-5-73

1/ Preliminary Estimate.

# Farm Income and Prices 1968-1973

Item	Unit	1968	1969	1970	1971	1972	1973 <sup>1/</sup>
Volume of farm marketings	:(1967=100)	102	105	107	110	112	112
Livestock and Products	: do.	101	101	104	108	109	102
Crops	: do.	103	111	112	113	115	126
Prices received by farmers							
Livestock and Products	: do.	103	108	110	112	126	171
Crops	: do.	104	117	118	116	133	178
	: do.	101	97	100	107	116	161
Prices paid by farmers							
Production items <sup>2/</sup>	: do.	104	109	115	121	128	149
Cash receipts	: Bil. Dol.	44.1	48.1	50.5	52.8	60.7	82.2
Livestock and Products	: do.	25.5	28.6	29.5	30.6	35.6	44.1
Crops	: do.	18.6	19.5	20.9	22.2	25.1	38.1
Nonmoney Income	: do.	3.3	3.6	3.7	3.8	4.2	4.4
Government Payments	: do.	3.5	3.8	3.7	3.1	4.0	2.6
Realized Gross Income	: do.	50.9	55.6	57.8	59.8	68.8	89.2
Production Expenses	: do.	36.2	38.8	41.0	44.5	49.2	63.7
Realized Net Income	: do.	14.7	16.8	16.8	15.2	19.7	25.5

ERS 12-5-73

<sup>1/</sup> Preliminary Estimate.

<sup>2/</sup> Includes interest, taxes and farm wage rates.

NATIONAL AGRICULTURAL OUTLOOK CONFERENCE

U.S. DEPT. OF AGRICULTURE  
Washington, D.C. December 17-19, 1973

WORLD FOOD SECURITY

JUL 25 '74  
By E.M. Ojala, Assistant Director-General,  
Economic and Social Policy Department, FAO, Rome.

CURRENT SERIAL RECORDS  
At a Conference in Rome last month, FAO member governments gave life to the concept of world food security. As is normal, the idea did not come to birth in full maturity. But it is now alive, by the cooperative will of governments. Its growth and evolution will depend on continued support and on the ability to adapt to practical situations. But it is an historic step forward for mankind that an idea with this objective is judged workable and has been born at all.

For thirty years the international community has been groping for such a concept. Proposals for world food reserve schemes have repeatedly raised hopes, which have been repeatedly dashed on the rocks of national concerns that seemed irreconcilable. Thus the initiative launched by the FAO Conference should be properly evaluated and supported by public opinion, as well as by the governments who took the decision.

What are the essential elements in the strategy which the FAO Conference has adopted? There are four.

The first is that it is a common responsibility of the entire international community to ensure the adequate availability of basic foodstuffs, not only on humanitarian grounds but also for the economic and social stability of the world. It is not a matter for exporters only - importers have a part to play as well, especially if they are wealthy. Even poor countries have a responsibility, circumscribed though it may be by low productivity and scanty resources.

The second element of the strategy is that the goal of world food security is to be achieved essentially through voluntary stockholding at the national level. Thus, the key decisions will be left in the hands of individual governments, who will be free to assess their self interest in food stocks and the means available to them for establishing and maintaining stocks. The national component of the common responsibility will therefore be for governments of all countries to establish, review or adjust national stock policies for cereals, taking account of their respective national circumstances and requirements. Clearly, there are differing needs for stocks as between exporting and importing countries, and vastly differing means as between developed and developing countries. With a view to providing an international frame of reference taking account of such differences, the Director General of FAO has proposed a set of voluntary guidelines for national stock policies, which governments are to consider, and hopefully adopt, during next year.

The third element of the strategy comprises regular consultations among governments on the world stock position as revealed by national stock levels, and on any difficulties which may arise in safe-guarding world food security. Only through such consultations can the common responsibility of the whole

international/



international community be exercised and discharged. The Conference designated the forum for these consultations. It instructed the FAO Council, a body representative of the FAO membership as a whole, to review the situation regarding national stock policies as reported by governments; to advise on further action considered necessary, and to initiate regular evaluations of the current and prospective world cereals stock position in the light of the objectives of world food security. Thus, for the first time in history, an international body has been formally charged with the specific task of trying to ensure that the world has sufficient food stocks in hand to cope with the uncertainties of the morrow.

The fourth element of the strategy is that developing countries should receive expanded and coordinated international assistance, to enable them to participate in the national stockholding programme to the full extent of their interest. It is well understood that many developing countries may have to give highest priority to increasing the production rather than the stocking of food. But these two goals may be complementary to a considerable extent, because of the incentive to producers provided by a stable price level, which a judicious stock-holding policy can help to promote.

The Conference therefore invited all interested countries to give additional assistance to developing countries in strengthening their food production capabilities, and in establishing national food reserves as appropriate, according to their priorities and resources. The Conference also instructed the Director General of FAO, in cooperation with other international and regional development agencies, to assist interested developing countries in formulating appropriate food security policies, and in identifying and mobilizing the external assistance required.

To this end, the Director General has already taken steps to initiate an inter-agency action programme, to provide interested developing countries with coordinated assistance in this field. The IBRD and the Regional Banks (of Asia, Africa and Latin America) are ready to finance storage facilities and related infrastructure as a part of development projects. The IBRD also sees the possibility of financing the initial food stocks themselves, as part of an overall project. The IMF has indicated that it could assist countries in tidying over temporary or medium term balance of payments problems that could arise in building up, maintaining or replenishing reserve stocks, while necessary policy adjustments are being made. These possibilities for financial help to developing countries are indeed crucial. The World Food Programme and the United Nations Development Programme are also ready to help, according to their resources.

We envisage joint missions of international agencies to interested developing countries. We shall invite interested bilateral aid agencies to participate in such missions where appropriate, so that a full range of the assistance available and required, can be brought to bear in an integrated manner, in individual countries that desire help to enlarge the degree of security in their food supplies. We favour giving priority to helping countries or groups of countries which have a high degree of vulnerability to crop failure, and/or those where a higher degree of national food security could make a significant contribution to food security at the world level. The first inter-agency mission will visit Ethiopia next month. Other requests for

assistance are in hand.

As essential requirement for the implementation of the above concept of world food security is better information on the world food economy. This need was recognized by the FAO Conference, which instructed the Director General to establish a comprehensive food information system, building on the present services of both FAO and the International Wheat Council. The Conference also voted some additional funds for this purpose.

In particular, a regular flow of data is required on the following:

- (i) national stock levels and stockholding policies and programmes;
- (ii) current crop conditions and prospects for the next harvest;
- (iii) current and prospective export availabilities and import requirements for cereals, including food aid.

Intergovernmental commodity groups already exist under FAO for grains and for rice. These bodies assemble some of the above information, and some is obtained through other channels. For wheat the main source of data is the International Wheat Council. We are now planning to strengthen and supplement all these arrangements, in order to provide a better data base for the national stock policy decisions and for the international consultations under the scheme.

So much for the main elements of the world food security concept, as adopted and applied in the FAO Conference decision. What was the background of this decision?

The Conference action must be seen as a constructive international response to the abrupt and unexpected change in the world cereals supply and stock situation in the past year, following the upsurge in demand caused by crop failures in several parts of the world in 1972. By mid-1973 rice stocks were sold out. And wheat stocks in exporting countries, mainly of North America, were suddenly down to less than half their earlier peak levels, enough left to cover only about four weeks of world consumption. The world's food security had suddenly become dependent on the out-turn of the next year's harvest, always at the mercy of the weather. This seemed a totally unacceptable situation in an age when man is reaching for the stars. Public opinion was aroused and in many countries was apprehensive and concerned. What would happen in the event of another crop failure in any major producing area? Who would suffer? Presumably the world's poor? Food aid if available could help. But the tonnage of food aid had already been cut back sharply, just when it was most needed by many developing countries. The operations of the World Food Programme were seriously slowed down by shortage of wheat.

Fortunately, crop conditions in most regions have been favourable in the 1973 season, so there are now hopes that a world-wide food crisis will be avoided at least for another season. But the events of 1972/73 were very disturbing. The international community had become too accustomed to perpetual surpluses of wheat and other grains in North America, which the two governments of this region had generously made available through two decades to poorer nations with food deficits. Not enough attention was paid to the more recent statements of these governments to the effect that North America could no longer be

expected/



expected in the future to maintain what had amounted in practice to the entire world's food reserves. Meanwhile, the world's wheat consumption had risen dramatically. Thus, North American stocks which represented 10 weeks of world consumption in the early 1960's constituted only 5 weeks supply in the early 1970's. This diminution in the world's food security was only mildly noted, if at all, until it was starkly revealed by the events of 1972. The stocks drawn down were in fact sufficient to meet the exceptional rise in purchases in 1972/73. But wheat prices trebled. And experts estimated that it would take two years or more of good crops to replenish the stocks. Meanwhile, the world's population was exposed more dangerously than in the past to the recurrence of shortage situations.

Thus, a serious gap in the world's institutions was revealed. It was all too evident that up to date there was no acceptance by the international community, in any meaningful sense, of the concept of a minimum safe level of basic food stocks for the world as a whole. Nor was there any regular international arrangement for reviewing and assuring the security of the world's basic food supplies. These were the circumstances which led the Director General of FAO to outline the concept and proposals, which were subsequently adopted in the recent decision of the Conference.

How is the implementation of the Conference decision likely to develop? I must emphasize that the scheme is voluntary, and designed to minimize the formal obligations of governments. The essential steps to initiate the scheme were taken by the Conference, in the form of a unanimous general endorsement of the basic principles and objectives, the issue of instructions for the collection of data on stock levels and policies, the establishment of a forum for the consultations on stocks, and the launching of a programme of assistance to developing countries.

The second stage will be decisions on the part of individual governments to cooperate in implementing the concept. The focus for such decisions has been embodied in a draft undertaking, which the Conference commended to all nations. The Director General is to convene a working party open to all governments in the first half of 1974. At this special meeting the draft undertaking will be reviewed and if necessary revised, with a view to subsequent approval by the Council and then submission to governments for formal acceptance individually as soon as possible.

Formal acceptance of the text as at present drafted would heighten the commitment of individual governments to join in implementing the concept, by an undertaking to review their national stock policies in the light of national objectives and resources and of the international guidelines to be agreed, and to consult as necessary on world stock levels in the FAO Council. These are not arduous commitments as they stand. Even if some governments delay their formal acceptance, it will still be possible for implementation to begin without delay on a pragmatic basis.

The significance of the scheme will be progressively enhanced as more and more governments accept the undertaking. The Director General was specifically instructed to transmit the text to non-member nations of FAO with a request for

cooperation/

cooperation in promoting its aims. The Director General was also requested to inform the forthcoming World Food Conference, to be held in November 1974, of the progress made, and of the acceptances by nations.

It is inevitable that the establishment of a new pattern of stockholding consistent with world food security will be a gradual process. One reason is that supplies for stock holding will become available only over a period of years. Also, the information on national stocks may be rather incomplete in the beginning. Moreover, it will take time for stock policies and goals to be determined in many of the vulnerable developing countries, and for the necessary storage and other infrastructure to be installed. In line with the concept of international agricultural adjustment, the aim is for developing countries to build up their security stocks from domestic production. But not all will be able to do so immediately. Until this can be done, there will be an added responsibility on countries who have the capacity to maintain adequate supplies. It will be open to neighbouring countries, such as those of the Sahelian Zone, to come to mutual arrangements to ensure their food security jointly. Or donor countries may be able to earmark a certain portion of their own national stocks, as a guarantee of food security for one or more developing countries under special relationship agreements.

The decision of the Conference to initiate intergovernmental consultations on actual stock levels as soon as possible was probably the most crucial one. Many governments are already reconsidering their national stock policies in the light of the new situation, and this should be an orderly process, in the interests of national and world market stability. Each government will want to formulate its stock policy in the light of other government's policies and of generally accepted guidelines. Thus, the stock levels required in importing areas will depend on the stocks held by exporters, and it will always be in the general interest to reduce to a minimum the resources that have to be set aside in stock-holding. The consultations hold the key to coherence of action at the international level.

It does not seem feasible to decide in advance what level of aggregate national stocks would be required for world security. Certain yardsticks might be developed, taking account of the average size of year-to-year fluctuations in world production. In 1965/66 the International Wheat Council estimated "normal" carryover stocks of wheat in the five main exporting countries at 30 million tons. "Normal" stocks were defined as "those quantities that might be regarded as necessary for maintaining continuity of supplies, and for protection against short crops and national emergencies". Since then world consumption of cereals has gone up by about 30 per cent, the world grains market has become more exposed to the variations of production in the USSR and China, and the requirements of the exporters themselves have risen substantially. The regular consultations among governments and the exchange of information on actual stock levels would gradually enable the international community to judge the adequacy of total food stocks. It is bound to take some years of experience, checking assessments of global stocks against subsequent events, before governments would be able to arrive at a quantitative and geographical picture of stockholding around the world, which constituted a reasonable degree of food security. One thing is certain, that as long as the present tight supplies and high prices continue, stocks will remain below normal in many areas. This gives an interval during which policies can be formulated and infrastructure developed.



It is clear that the scheme as initiated by the Conference is not intended to be a tightly drafted operational plan, with precise formulae for determining stock levels or the sharing of burdens, and laying down rules and regulations to cover all eventualities. On the contrary, it has been drawn up as a flexible scheme, designed to permit governments to adjust to the current and future changes, and to shape gradually, through practical experience in dealing with real situations, an effective instrument for maintaining world food security.

Unlike other approaches in this area, the FAO Conference's action is designed primarily in the interests of that forgotten man, the consumer. The main purpose of minimum security stocks is to maintain a steady expansion of food consumption by offsetting year to year fluctuations in output and prices.

It will nevertheless be important to ensure that the implementation of the world food security policy does not indirectly lead to harmful effects on producers or on commercial trade. Such effects could occur if the stocks were allowed to become too large - a danger which is present only in wealthy developed countries which can afford the cost involved. Over-production in developed countries under high price levels or supports could lead the world back to structural surpluses and trade dislocations, that would hurt all exporters, but especially those developing countries that depend on exports of cereals for their foreign exchange earnings.

In practice, the system of regular international consultations, which is an essential part of the FAO scheme, should lessen rather than increase the danger of an over-accumulation of stocks. These consultations, while primarily concerned with the adequacy of stocks for food security and with identifying shortfalls, would also provide a more regular exchange of information on current and projected stock levels. Moreover, importers might be less inclined to raise self-sufficiency ratios at high cost if a successful world food security policy gave them greater confidence in an assured supply from exporters.

However, there is no precedent for this FAO approach. It seems to achieve the objective of world food security through the harmonization - or in other words, a limited degree of coordination - of a world-wide network of nationally owned and managed stocks.

Practical problems are bound to arise in implementation, which can only be resolved as they occur, in the course of the regular consultations. A distinction may have to be sought, for instance, between the emergency relief and price stabilization purposes of national stocks. Procedures may have to be worked out for insulating security stocks from normal commercial trade. Some reference criteria may have to be evolved as regards the release of security stocks, and the assessment of adequacy at both national and world levels. The regular consultations in the FAO Council, assisted by more technical deliberations in the International Wheat Council and in the Intergovernmental Groups on Grains and Rice, will constitute the machinery for this cooperation.

As experience is gained, attention could be given to cost sharing arrangements for stock holding between neighbouring countries, or between donor and developing countries. The possibility of achieving financial economies through maintaining regional security reserves could also be explored in due course. Countries or zones that proved to be unusually vulnerable to crop shortfalls would soon be identified, making it possible for special precautions or security

measures to be devised and implemented through international cooperation.

Cases may arise in the future where governments will wish to bargain their cereal stock levels as a part of their negotiated economic relationship with other countries. It is not expected that such negotiated commitments would be made under the FAO scheme, but in other fora, such as the multilateral trade negotiations under the GATT. But the resultant negotiated stocking commitments would have to be taken into account in the assessment of stock levels to be undertaken in the regular FAO consultations.

It must be evident that adequate food stocks in producing and consuming countries are only one element of world food security. In a very basic sense, the concept must encompass the requirement that the world's farmers be assured of reasonable and adequate returns, so as to bring overall food supplies into better balance with demand. In this broader sense also, the concept involves international cooperation to promote a faster growth of food production in developing countries, and the provision of food aid when required, especially in emergencies. In this connection, the FAO Conference considered that it would be contradictory to support the aims of world food security without maintaining the continuity of the World Food Programme's activities. It therefore agreed that governments should consider making additional pledges to the World Food Programme, to enable it to play a more significant role in assisting developing countries to achieve food security and obtain emergency relief.

There are other measures which can supplement the role of national stocks in contributing to world food security. Examples are long-term bilateral trade agreements, and forward contracting commitments between exporting and importing countries.

Much more important supplementary contributions could result from the negotiation of international commodity agreements on grains and rice, including agreed price ranges and national stockholding provisions, and also from the establishment of a modest internationally owned and managed food reserve. However, such developments do not seem to be on the horizon at present.

At this moment of need, there seems to be no alternative to the FAO approach of seeking world food security through a network of national stocks. The costs are widely spread but so are the benefits. And even if other international measures prove possible in the future, the establishment of well-considered national stocking policies throughout the world, adjusted to changing conditions, would confer lasting benefits on the countries concerned, in the form of greater stability in the development process.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

OUTLOOK FOR TRANSPORTATION

Talk by Paul Mills

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 8:45 a.m., Tuesday, December 18, 1973

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1974 will be a year of analysis and experimentation for transportation. 1973 was a year of transition and awakening for transportation.

During 1973, people on a broad scale became painfully aware of the limitations of our transport system. For example, in the spring, daily car shortages for grain alone peaked at 17,700 boxcars and 16,600 covered hoppers. Currently, the average daily shortage for grain remains at about 9,000 boxcars and 12,300 covered hoppers.

In addition, on September 1, 1973, the railroads were authorized to cease icing services which affected the use of approximately one-third of the cars available for the movement of perishable commodities, thus reducing the refrigerator car fleet by approximately 18,000 cars. This contributed to critical shortages of cars in the fall of 1973 for the fruit and vegetable shippers.

The fertilizer industry was also unable to get enough cars for the spring movement of fertilizers to farm production areas. A car shortage of 4,000 cars, compounded by a shortened application period due to severe weather conditions, caused much concern.

The Penn Central, plus five other bankrupt railroads, came to the brink of shutting down. These railroads serve the northeast section of the country and haul approximately



one-fifth of all the nation's freight. In addition, there are several midwestern railroads that are operating at a deficit.

Other transport modes utilized by agriculture are also showing signs of strain under heavy demand. Truck tonnage of all intercity regulated trucks showed an increase of 10.5 percent through the first half of 1973. Common carrier trucks engaged in transporting agricultural products experienced a 19.9 percent increase in tonnage. Unregulated trucks--those for-hire trucks which specialize in agricultural commodities which are exempt from ICC regulations--were often in short supply. Some vegetable crops failed to reach markets because of the lack of adequate trucks.

While the supply of barges on the inland river system has been increasing, the demand for barge capacity has far outstripped available supply. Currently, barge rates are 200-300 percent of normal rate levels--a good indication of the supply-demand situation.

This unmet demand for transportation from agriculture has caused serious economic marketing losses for producers. Millions of bushels of grain sold for delivery months ago are still waiting for transportation. Millions more can't be sold by the producers because of the lack of transportation. The added costs of carrying these stocks beyond normal limits, plus the severe penalties for late deliveries, are costing grain farmers a large piece of current grain values. Likewise, the lack of adequate and timely transportation for perishable vegetable crops caused losses of many millions of dollars. Some produce was plowed under in California, and the vegetable and melon crops in the Southeast suffered because of inadequate trucks.

Yet, in the midst of this rather dismal picture of shortages and losses, certain statistics reveal something of the capabilities of the transport system. The rail volume of freight ton-miles in 1973 was greater than ever before. Through mid-November of 1972, railroads had carried 691.6 billion ton-miles of freight. For the same period in 1973, railroads carried a startling 750.9 billion ton-miles, an increase of 8.6 percent. This fact would indicate a substantial increase in productivity and a general improvement in car utilization.

Grain carloadings through the first 48 weeks of 1973 totaled 1,564,052 versus 1,235,107 for the same period of 1972, a 26.6 percent increase. Barge loadings are about the same as last year, reflecting problems earlier in 1973 when

flooding caused delays in barge traffic. Trucking, however, shows substantial gains in some markets. For example, grain received by truck in the Minneapolis-St. Paul area increased from 125,382,000 bushels for the first 10 months of 1972 to 205,313,000 bushels for the same period of 1973.

So, we can say that 1973 was a year in which the transport system did much to respond to the demand by agriculture--but, we can also say the system is still far from adequately responding to the increasing demands of agriculture for transportation services.

Throughout the year, solutions to the "rail situation" have been studied and much legislation is being considered. Generally, the economic criterion of profit has been the focal point. The most accepted solutions thus far have been centered around rate and regulatory freedom, government loan guarantees for the acquisition of rolling stock and improvements to facilities, easier abandonment of marginal track, and alternative motor carrier service.

However, the fall of 1973 ushered in another set of criteria for solutions--energy use. With the cessation of Arab oil imports, both direct and indirect, the United States' supply of fuels dropped by approximately 17 percent. This will have a profound effect upon viable solutions to transportation's problems.

The solution to the total transportation situation must not only be viewed from an economic viewpoint, but also must meet the restrictions imposed by the energy crisis.

We cannot say what decisions will be made in 1974. Certainly, much analysis of the needs of transportation must be begun. We must determine what are our national goals and objectives in transportation as these goals and objectives relate to the needs of commerce generally and as they relate to the needs of agriculture specifically.

What we do know about energy consumption by the various transportation modes emphasizes the need to set some rather basic guidelines in considering solutions. In total, the transport system of the nation accounts for about 24 percent of the U.S. fuel consumption. However, there are startling differences in the energy consumption by mode. For example, to move one ton one mile, a barge consumes approximately 500 BTU's, a locomotive 750 BTU's, a truck 2,400 BTU's, and a plane 63,000 BTU's.

To put these figures in a little more perspective we can relate them to how freight actually moves. In 1970 the railroads carried approximately twice as much freight as the intercity motor carriers--808 billion ton-miles versus 419 billion ton-miles. To do this, the railroads traveled 448 million miles, while the motor carriers traveled some 34.9 billion miles. When considered with the energy consumption per ton-mile, the difference in energy needs becomes extremely significant.

In addition to basic energy consumption is the effect of increased use. The present rail track system could easily accommodate an increase of 200 to 300 percent in traffic volume with some improvements in scheduling and quality control of car movements. Conversely, most major highways which serve as main routes for most trucks are at or near capacity. Any economic growth resulting in increased motor carrier use will be reflected in greater fuel consumption and more highway congestion, or at least in pressure to build more highways.

With this in mind, the support for permitting easier abandonment of marginal rail lines has relied mainly upon the profit motive economics which seek to make the railroads a more viable industry. The pursuit of this goal, however, must now be made in full awareness of the effects upon energy consumption and fuel supplies available.

Practically speaking, the abandonment of any operative rail line will result in some shift to motor carrier use. Aside from the environmental aspects, the need to evaluate the energy demands of the alternatives to rail service on each rail line proposed for abandonment must be recognized and fulfilled.

By no stretch of the imagination should this suggestion be construed as advocating the demise of the trucking industry. Far from it. The trucking industry, composed of common carriers, contract carriers, specialized carriers, private carriers, and exempt haulers of agricultural commodities are all vital to the economy of the nation and the well-being of citizens. We depend upon trucks to help supply us with the essentials of life. We must consider, however, ways to make our trucks more efficient. Ways must be found to remove certain restrictions that prohibit efficient utilization of trucks. Route restrictions, commodity restrictions, back-haul limitations, entry provisions, all must be reviewed in the light of current economic and energy use problems.

The outlook for transportation in 1974 can generally be described as one of continued heavy demand, exceeding the available supply. Shippers will continue to face the problem that the type of transportation they need will not always be there when they need it and that shipments will not always arrive when expected. The needs of agriculture will not be fully met, resulting in losses to producers, higher costs to consumers, and headaches for all those involved in the distribution of foods.

The lack of suitable transport to timely market agricultural products will create some artificial shortages in the market, thus creating price disruptions. Concurrently, escalating operating costs for most transport modes will be reflected in higher freight costs to shippers. The energy shortage could very well limit transport capacity in 1974--in fact there are already signs that transport capacity is being affected, especially by ocean vessels which are using more of their freight capacity for hauling their own supplies of bunker fuel. Likewise, a slowdown of motor carriers reduces capacity. In some instances recently, railroads have been unable to switch cars or move trains due to temporary shortages of fuel.

In summary, we may wind up shipping more in 1974, but we will probably enjoy it less.



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Extension Service

TECHNOLOGY AND USE OF INPUTS

Talk by Harold I. Owens

at the 1974 National Agricultural Outlook Conference  
Washington, D. C., 8:45 A.M., Tuesday, December 18, 1973

Importance of effective use of the farming inputs is underscored by the outlook situation for energy, fertilizer and transportation. Recent technological developments as well as some old, tried and true ones are available to the farmer in achieving production goals in 1974. The developments in farm machinery and in herbicides have given crop producers more alternatives in tillage systems and methods. No longer does the farmer necessarily need to follow the conventional methods for example plow-disk-harrow-plant-cultivate to grow row crops.

## No-Tillage and Reduced Tillage

Two main developments in recent years are now giving crop producers more alternatives in tillage. One is the variety of new designs in farm machinery, such as the fluted coulter, which will cut through the previous crop residues in a new way.

The other big development has been the improvement of herbicides to control grass and weeds. Instead of the conventional seedbed preparation and surface planting of crops, the farmer may choose from several tillage systems, including the "no-tillage" system. No-tillage eliminates all soil preparations. You just need to plant and cover the seed. Minimum tillage another term used frequently in recent years essentially means reducing the number of tillage trips through the field to prepare the seedbed, plant, and grow a crop. Both no-tillage and minimum tillage are often referred to as reduced or conservation tillage.

I would like to discuss some of the machinery used in the minimum and no-tillage systems and methods. A chisel plow is used in place of a moldboard plow. The chisel plow leaves the soil surface rough, with the crop residue remaining on or near the soil surface.

A till planter throws the residue from the previous crop between the corn rows as it prepares a seedbed and plants in one operation. Another type of planter called the chisel planter has a sweep which moves the crop residue to the middle and prepares a narrow band of soil. The unit planters mounted behind the tool bar then plant the seeds in one operation. The slot planter uses fluted coulters to cut through the unplowed crop residues to till a 2 to 3-inch strip for each planter row.

Combining tillage equipment fits into one operation a planting unit and a tool to prepare the seedbed--such as a disk, field cultivator, rotary hoe, sweeps, or rotary knives. This is used on moldboard-plowed fields. The entire soil area is tilled. This combining of tillage operations reduces trips over the field, cutting labor, costs, and preventing soil compaction.

According to the University of Nebraska Agricultural Engineers, farmers using a till plant system may cut diesel fuel requirements in half from planting through harvest. For example, field operations on 100 acres by the conventional row crop system requires 533 gallons of diesel fuel compared to 287 gallons for the till plant system. (Table 1)

Where the growing season permits the no-tillage planting system may help the farmer gain a few valuable days in planting double-crop soybeans immediately following small grain harvest. Using this no-plow system also saves critical soil moisture which is essential to germinate the soybean seeds and promote their growth.

We might take a look at the acceptance and adoption by farmers of no-tillage and minimum tillage systems. In an unofficial survey of State Extension specialists in agronomy and agricultural engineering in January 1973 they reported the adoption of these systems rather high in some areas and only slight in others. Estimated adoption of the newer systems varied all the way from one percent of the row crops produced to a high of 75 percent.

To illustrate the acceptance of no-tillage and minimum tillage practices and methods by farmers I will present the reports from two states, Virginia and Iowa. Dramatic acceptance is reported in Virginia. Estimates are that in 1972, 80 percent of the corn and soybean acreages were produced under no-tillage or reduced tillage methods. Contrasted to 10 years ago, nearly 75 percent of these two crops were produced under conventional tillage methods. This data was collected from the Virginia Crops and Livestock Reporting Service and an annual survey of Extension agent unit chairmen in each county.

Iowa has experienced a six-fold increase in the acreage of corn and soybeans produced by minimum tillage methods between 1968 and 1972. According to the annual survey conducted by the Soil Conservation Service since 1968 minimum tillage methods were practiced on 2,899,900 acres of the two crops in 1972 compared to 443,900 acres in 1968. The 1972 acreage minimum tilled represented about 17 percent of the Iowa corn and soybean acreage.

POWER AND FUEL REQUIREMENTS FOR VARIOUS TILLAGE SYSTEMS

Operation	Conventional	List	Till Plant	Slot Plant
Horsepower hours per acre				
Chop stalks	9.0	9.0	9.0	
Disk	6.6	6.6		
Plow	19.1			
Disk	6.6			
Harrow	5.5			
Plant	4.0	7.3	3.7	2.0
Spray	1.0		1.0	1.0
Cultivate	3.3	3.3	4.4	
Cultivate	3.3	3.3	4.4	
Combine	8.2	8.2	8.2	8.2
Totals (field Oper.)	66.6	37.7	30.7	11.2

Fuel equivalent:

Gallons per acre

gasoline (9.0 HP-HR/gal.)	7.40	4.19	3.40	1.25
diesel (12.5 HP-HR/gal.)	5.33	3.02	2.46	.90
LPG (7.5 HP-HR/gal.)	8.90	5.03	4.10	1.50

Compiled by the University of Nebraska Agricultural Engineers

TABLE 1 -



In summary, there are both advantages and disadvantages in the no-tillage and reduced tillage (minimum tillage) systems. The advantages include less labor, machinery and fuel requirements. Conservation is helped, because on sloping fields more water soaks into the mulch-covered soil and there is less run-off. Air and water pollution by wind and water erosion are reduced. In some regions the time saved by not plowing allows double-cropping.

On the disadvantage side, we find that management is more exacting. Pests may be more of a problem. Timing of operations is not as flexible. Mulch slows the spring warm-up of heavy clay soils in the Northern states. Farmers will want to weigh these advantages and disadvantages in making a decision on "Tillage Alternatives."

The following are suggestions on how to save fuel and money in some of the farming operations:

- Chop forage as coarse as practical by doubling the length of cut; PTO requirements are reduced 1/3.
- Utilize natural dry down and solar energy for drying to the extent possible. For example, alfalfa is around 80 percent water when mowed. Starting with four tons of freshly cut alfalfa, the sun and wind will evaporate two tons of water leaving two tons of alfalfa at 60 percent moisture. At this point the crop could be put into the silo as haylage. To make hay it is necessary to evaporate more water.
- Operate the tractor at 75 percent or more of its maximum capability. Use a smaller tractor for light work and a large tractor for heavy work. Match the tractor to the job. Tractors operating at rated engine speed provide better fuel efficiency at full loads than at light loads.
- Plow shallower except for tuberous crops, there being very little research evidence to indicate that plowing more than seven inches deep improves crop yields. Yet power requirements and consequent fuel usage increase more when going from seven inch to 11 inch plowing. Sharp plow points improve penetration and reduces draft.
- Tune engines--careful adjustment of the fuel-air ratio; correct timing; good plugs and a clean cooling system enables the engine to operate near maximum efficiency. Poor adjustment and maintenance wastes at least 10 percent of all petroleum fuel consumed.
- Reduce tire slippage--use dual rear wheels for secondary tillage on soft, plowed ground.

The above suggestions on conserving fuel and dollars were taken from material prepared by the agricultural engineers, Cornell University, New York.

### Make Efficient Use of Fertilizers

In light of the fertilizer supply outlook it is important to apply the available technology to conserve and make efficient use of fertilizer supply. Agronomists estimate that about 30 percent of the increases in crop yields has been due to the increased use of commercial fertilizer.

Find out what you really need on each field. Soil testing is still the best method known to accurately check the fertility level of each field. Use the soil test to tell exactly how much of each fertilizer element needed to apply for a maximum efficient yield of each crop planned for 1974. This way farmers will not apply scarce fertilizer they do not even need.

For example: A check of 1,051 soil samples in Missouri showed 23 percent contained 30 to 89 pounds of extractable phosphate (phosphorus) per acre while 41 percent showed 210 pounds or more where additional phosphate was seldom needed. Extension agronomists in Michigan suggest that testing your soils to check the available phosphorus is more important when you are using an intensive cropping system where a large response to phosphorus can also be expected, if the field is low.

Apply fertilizers when a crop response can reasonably be expected. A good example is the question of how much nitrogen to apply on a field to be planted to soybeans as compared to a field of corn if they each show about the same organic matter test. Agronomy specialists agree that you can save on the nitrogen applied to well-inneculated soybeans on high organic matter soils and emphasize nitrogen application to corn where you will get more response in yield for the money spent.

Recognize the law of diminishing returns in fertilizer applications. Yield response to a small application of fertilizer is usually quite high according to the Department of Agricultural Economics, Purdue University. As additional fertilizer is added the yield response per additional increment of fertilizer usually declines rapidly. For example, yield response to nitrogen on continuous corn resulted in about 44 bushels increase for the first 60 pounds of nitrogen applied. But, when adding another 60 pounds after the corn was already receiving 140 pounds of nitrogen resulted in a response of only about four bushels. (Figure 1)

Let us consider response data that is available for North Dakota conditions.

Phosphorus: The typical response curves based on phosphorus rate trials conducted with wheat grown on various phosphorus rated soils in North Dakota are show in Figure 2.

The major part of the response of wheat yield occurs with the first 15-20 pounds per acre of  $P_{25}O_5$  applied. This indicates that if farmers can't

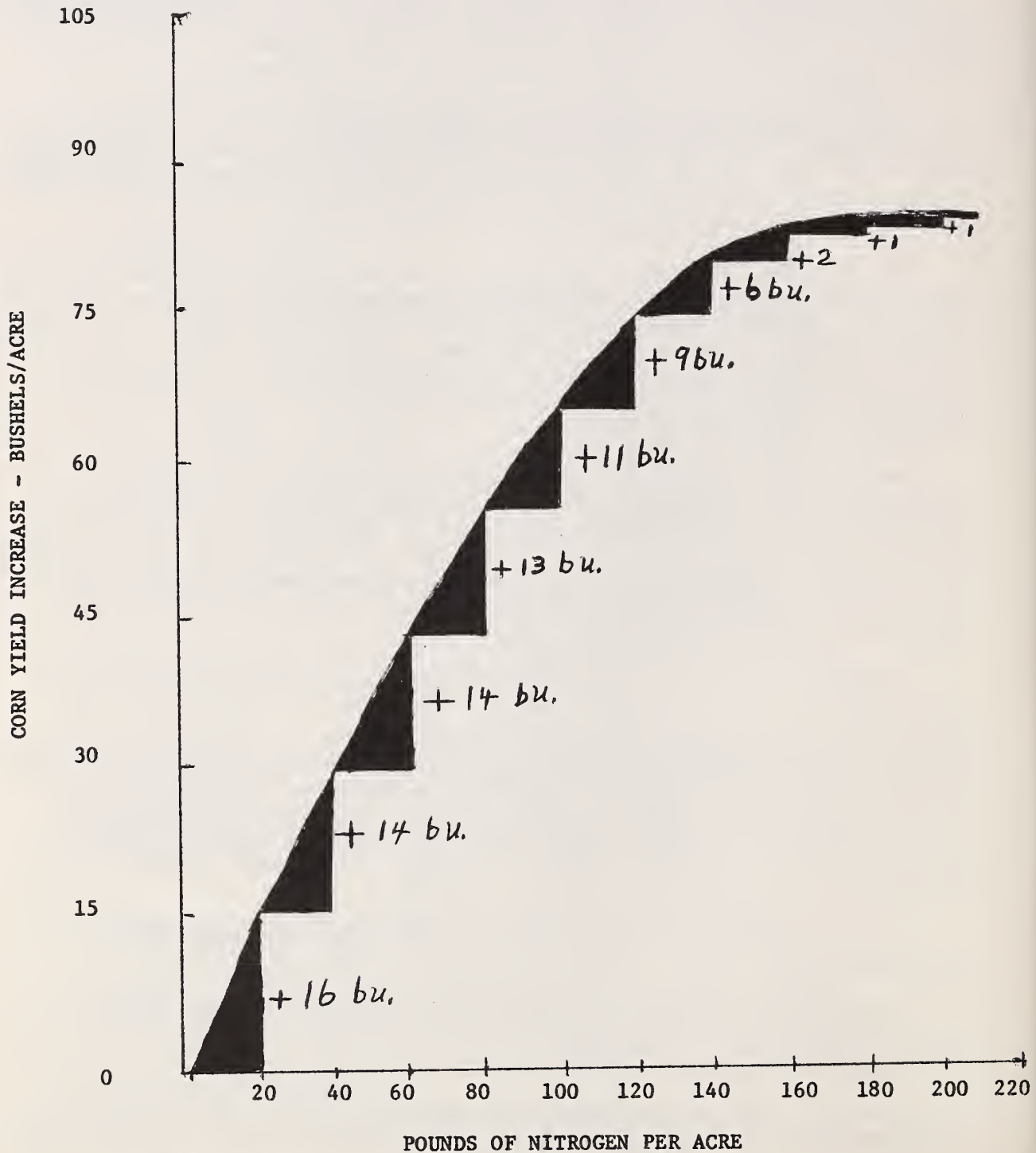


FIGURE 1 - SOURCE - PURDUE UNIVERSITY, INDIANA

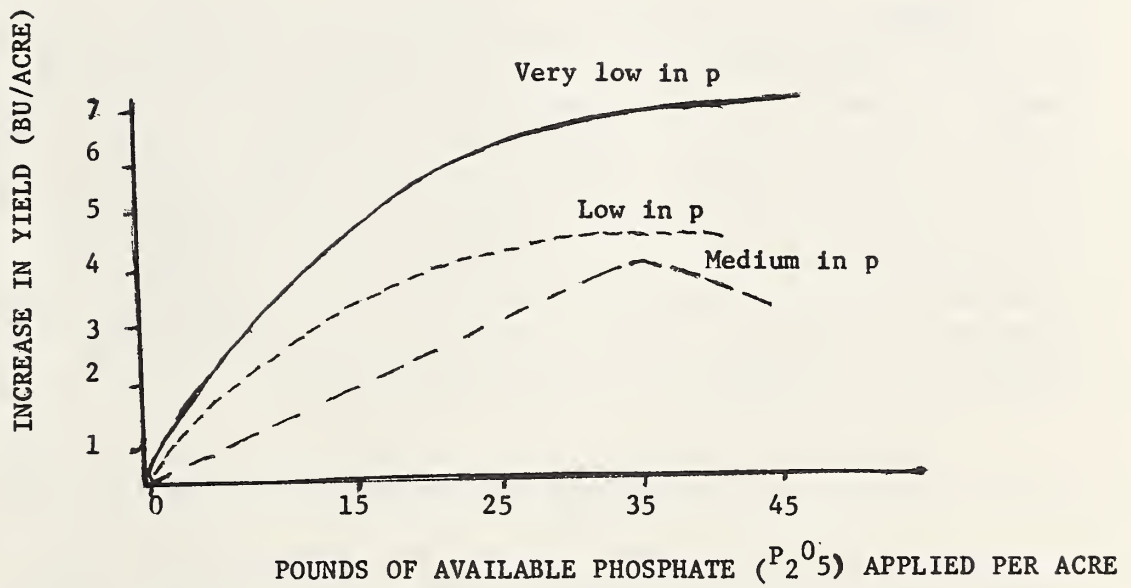


FIGURE 2 - EFFECT OF RATE OF APPLICATION OF P ON YIELD OF WHEAT GROWN ON SOILS RATED "MEDIUM, LOW, AND VERY LOW." (NORTH DAKOTA STATE UNIVERSITY.)



obtain sufficient phosphorus fertilizer to use recommended rates based on soil tests, the logical decision would be to use 15-20 pounds of  $P_2O_5$  per acre on the very low and low phosphorus rated fields. Use of such a rate may also be justified on medium phosphorus rated fields or he could decide to use only 10-15 pounds per acre of  $P_2O_5$  on the medium testing fields and up the rate of  $P_2O_5$  a little on the very low testing fields. The data indicates spreading what phosphorus fertilizer is available over as many very low or low phosphorus rated acres as possible at a rate of 15-20 pounds of  $P_2O_5$  per acre drill row applied.

Nitrogen: The response data for this nutrient results in a somewhat different picture than in the case of phosphorus. A typical response curve of wheat to added nitrogen based on field research data conducted in North Dakota is shown in Figure 3. Note that the magnitude of yield response for added nitrogen on wheat is over 40 bushels per acre compared to about seven bushels per acre as shown in Figure 2 for phosphorus additions. Also note that the range of added nitrogen needed before the response levels out is much greater than in the case of phosphorus. The data for curve A in Figure 3 is based on about 775 field research observations. About one-half of these observations were eliminated for development of the response curve B. This elimination was based on factors such as rainfall being limiting, thus limiting response to N. These yield response data are used to illustrate the principles. Localized data should be used for decision making.

You may wish to develop budgets giving consideration to probable product prices as well as yield responses in your state and costs of inputs.

Correct the acidity level of your soil. The optimum pH range for many crops is six to seven, but check with your County Extension Agent for some exceptions. Applying limestone will give you an opportunity to correct any calcium and magnesium deficiencies and also improve the activity of micro-organisms which decompose plant residue--increasing amounts of nitrogen, phosphorus and nutrients found in large amounts in organic matter. Limestone also improves the activity of nitrogen bacteria which live on the roots of legume plants like soybeans and tends to increase the availability of some plant nutrients with accompanying increase in yields. A crop which is an exception is potatoes, which need an acid soil if you are using a scab-susceptible variety.

Make maximum use of manure and crop residue. Livestock manure still adds organic matter, nitrogen, phosphorus, potassium and other plant nutrients. It may be leaching away on your own farm, or is available at a very reasonable rate from a commercial feedlot in your area.

Manure also improves the soil structure and tilth of the soil. In Wisconsin, each ton of manure in an annual application increased the corn yield about two bushels and increased stover yield 12 percent in a three-year test.

Crop residue such as leaves and stalks reduces the fertilizer needs for the following crops when returned to the soil. For example, when a crop of

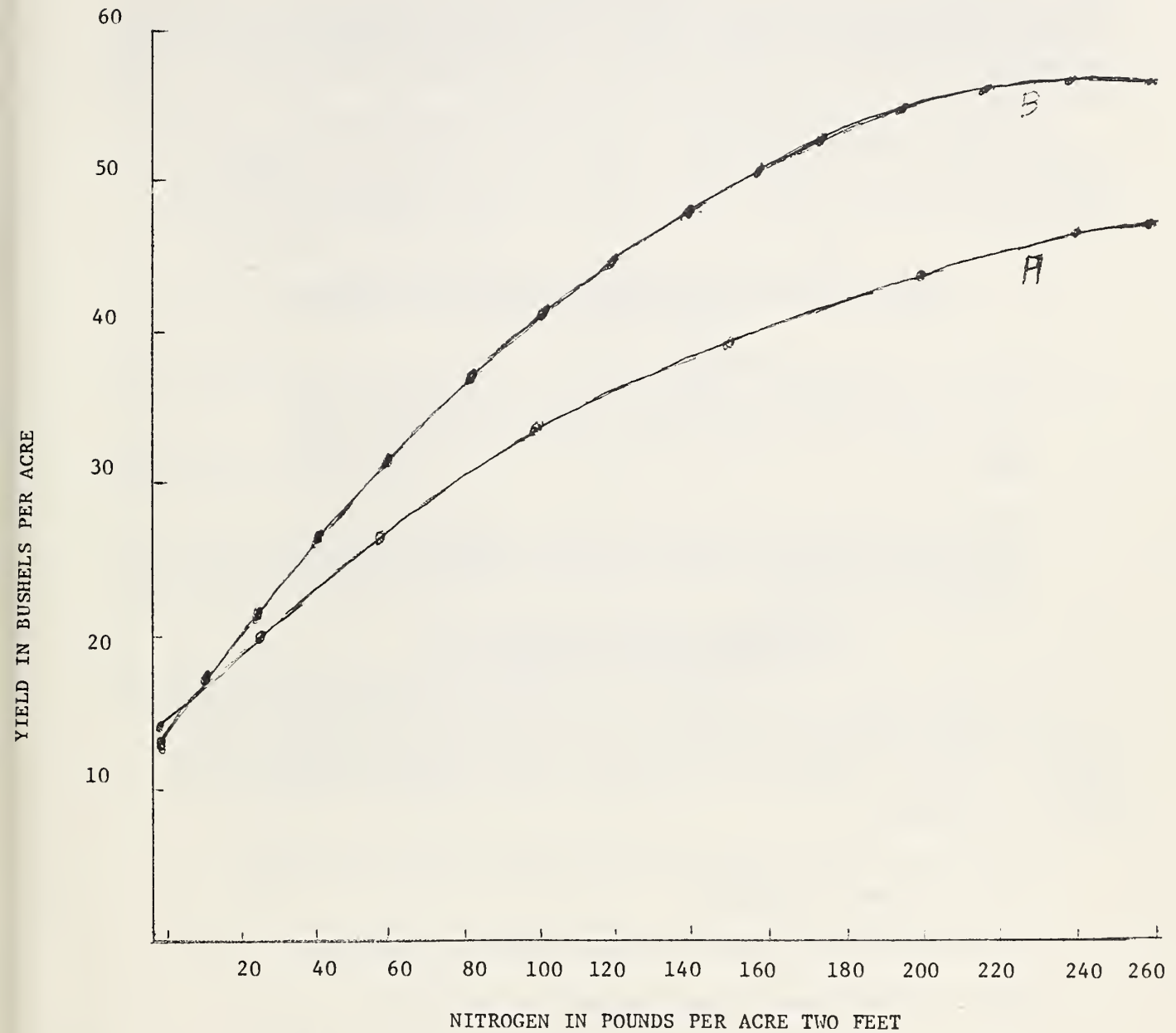


FIGURE 3 - EFFECT OF SOIL AND/OR FERTILIZER NITROGEN ON YIELD OF WHEAT.  
(NORTH DAKOTA STATE UNIVERSITY)

corn is removed as silage as compared to removing the ears only, you remove approximately an additional 15 pounds of phosphate (phosphorus) and 60 pounds of potash (potassium) per acre, according to Extension agronomy specialists in Wisconsin. This will vary depending on the forage yield and how you handle the residue.

Plan your fertilizer needs in advance. The idea is not to hoard fertilizer you do not need in 1974. The idea is to make your soil tests, figure your fertilizer needs, and discuss your needs with your fertilizer suppliers.

#### Considerations for Producers in Conserving Energy in Transportation

Make optimum use of vehicles.

- Use the vehicle to fit the job. Don't use a large truck for a little job. Don't use a little truck for a large job.
- Pooling of shipments for maximum use--shipments of less than a truckload may be combined with neighbors' shipments to make a truckload.

#### Technology Is Available--Farmers Can Meet the Challenge

With the available technology and more probably emerging while we are in this Outlook Conference farmers have the opportunity to produce high yields of quality commodities. They can do this without damaging the basic resource, the soil. Farmers of this great Nation have the challenge to put it all together.

- Select the minimum tillage system suited to local conditions and the farmers resources.
- To test the soil on each field each three or four years.
- Make decisions based on good economic principles.
- Apply the kind and amount of commercial fertilizer needed to supplement what the soil has available and the crop residue and animal manure. Do not apply excessive fertilizer. A smaller rate applied to more acres may result in a higher total yield response.
- And fit the tractors, trucks and machinery to the size of the job in order to conserve and make efficient use of the available fuel.

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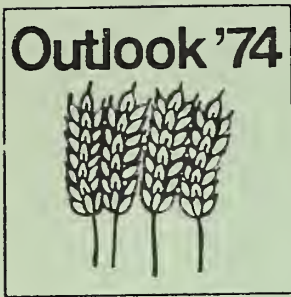
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Economic Research Service

## IMPLICATIONS OF THE INPUT SITUATION FOR PRODUCTION

Talk by John H. Berry

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 10:20 A.M., Tuesday, December 18, 1973

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At no time in recent history has the agricultural input situation been so vitally important to U.S. agriculture as it is now. Shortages of a number of inputs from machinery to baling wire and from petroleum to feed were reported this past production season. Yet farmers were able to produce a record output in spite of problems associated with getting the needed inputs in the right place at the right time. That accomplishment speaks well for the ability and willingness of farmers and farm suppliers to respond with needed adjustments to provide food and fiber needs for domestic use and export trade.

We are now, however, entering the planning phase for 1974 food and fiber production. Although the input supply situation has always been important to farmers in making their plans, it is even more crucial now. As Secretary Butz said in his announcement of this Conference, "Farmers will be making more complex production and marketing decisions than usual in 1974. We want to give farmers all the help we can with up-to-date outlook information and last-minute reports on the probable availability of fuel, pesticides, fertilizer, farm equipment, and related supplies." I want to underscore the word "probable" because the situation concerning many of our agricultural inputs is changing daily.

You have already heard views on the energy, fertilizer, and transportation situations and a discussion of the use of technology to conserve the use of agricultural inputs. I will close this section of the Conference with the outlook for other selected inputs and the possible implications of the input situation for agricultural production. The outlook for feed and credit will be discussed later in the Conference.

We are all acutely aware that fossil fuel is one of our most basic resources in agriculture--whether it is used directly in propelling equipment or indirectly as a feedstock in the manufacture of numerous other inputs. However, transforming fossil fuel energy into food energy requires, in part, mechanical equipment.

In their attempt to respond to consumer demands for increased food production, farmers purchased more tractors and self-propelled combines in 1972 than any year since 1968. They also purchased more hay balers and forage harvesters in 1972 than in either of the 2 previous years. This reversal in the downward trend of numbers of new equipment purchased does not appear to have stopped. For the first three quarters of 1973, the number of new tractor sales increased 25 percent over the same period in 1972. Combine sales increased 47 percent, and baler and forage harvester sales increased about 20 percent. Thus, farmers are augmenting their production capacity with new equipment at a rapid pace, and manufacturers indicate they could have sold more equipment if it had been available. In fact, some orders are being booked for delivery well into 1974.

With this increase in the purchase of new equipment, there has been a rapid shift from gasoline to diesel powered units. In 1972, 80 percent of all new tractors purchased were diesel powered. And from 1964 to 1973, the proportion of diesel powered tractors on farms increased from 18 percent to 39 percent. This trend to diesel power, however, does not stop with tractors. The proportion of new combines that are diesel powered increased from 23 percent in 1971 to 35 percent in 1972 and then jumped to 55 percent during the first 6 months of 1973.

In view of these equipment statistics, I am less concerned about the availability of major equipment items than the availability of diesel fuel. For the last 10 years, farm use of diesel has been increasing at an average annual rate of about 7 percent, while gasoline use in the farm business has remained relatively stable. This decided shift toward diesel power will cause an increase in the growth rate of diesel fuel consumption. In addition, the expanded acreage available for production will push the quantity of diesel fuel demanded even higher in 1974.

In the face of this expanding demand for diesel fuel, provisions of the recently proposed Mandatory Petroleum Allocation Program suggest a possible problem. Farmers are identified as priority users in the program. However, the basis for allocation of middle distillate fuels to farmers is 110 percent of the base period volume. The base period is the equivalent month of 1972. With an expected 10 percent increase in crop acres over 1972 and the shift toward diesel power, the availability of diesel fuel for 1974 farm production is a major concern. Establishing the base period as "the equivalent month for the year ending November 1973" would relieve much of the pressure on agriculture. The only factors that dampen my concern is that progress of farmwork in many States is ahead of average and diesel power requires less fuel to do the same work that a gallon of gasoline will do.

With the tightening fuel situation, the demand for pesticides is also expected to increase as farmers reduce tillage operations in an attempt to conserve fuel. Farmers are now applying herbicides to more than 40 percent of their crop acres (excluding pasture), and about a fifth of the crop acres receive insecticide applications. However, on an individual crop basis, nearly all rice and peanut acres and more than 80 percent of corn and cotton acres are treated with herbicides. For insecticides, about 90 percent of peanut acres, three-fourths of tobacco acres, and almost two-thirds of the cotton acres are treated.

In 1971, farmers used 494 million pounds of pesticides (exclusive of sulfur and petroleum). This is a 40-percent increase over 1966 and a 7-percent average annual rate of increase. Herbicides were the major pesticide products, with farm use amounting to 228 million pounds or about double the use in 1966. Insecticide use reached 170 million pounds in 1971--an increase of 14 percent over the 1966 level. Other pesticides were used in about the same quantities as in 1966.

The point I want to make with these statistics is that pesticides have allowed farmers to reduce the use of fuel in tillage and other cultural practices. This trend is expected to continue as fuel costs rise. Yet fossil fuels are also crucial to the pesticide industry.

Many of the 300 some basic pesticide chemicals are synthesized from fossil fuels. These basic pesticides are one group of the numerous products made from such petroleum derivatives as benzene, naphtha, and toluene. If any of these necessary derivations are not available, some pesticides cannot be synthesized. The availability of these derivatives for use in pesticide manufacturing depends on their relative profitability in other uses.

The energy situation is also of vital concern to the formulation segment of the pesticide industry. A major formulation ingredient is the solvent used in making emulsifiable concentrates. Most of the insecticides and miticide pesticides and some of the fungicides and herbicides are formulated as emulsifiable concentrates. These formulations all require petroleum based solvents.

Although the energy situation is crucial to the pesticide industry, and thus to farmers, many industry spokesmen do not expect any serious shortages of pesticides.

### Implications of the Input Situation

In summary, it appears that agriculture will not be seriously affected by any critical shortage of major inputs. However, supplies of most materials may be limited and prices will be higher. By major input category, the situation for 1974 looks like this:

#### Fertilizer

Since the earlier USDA estimate of a potential shortage of 1 million tons of nitrogen and 700,000 tons of phosphate, the situation has changed considerably.



Exemption of fertilizer price ceilings has allowed prices to rise. Anhydrous ammonia prices led the way with a 40-percent increase at the retail level within the 2-week period following removal of the ceiling. Ammonium nitrate prices increased 29 percent, urea 32 percent, nitrogen solutions 34 percent, concentrated superphosphate 27 percent, and diammonium phosphate prices increased 28 percent. Mixed fertilizer prices lagged, increasing 23 percent during the 2-week period.

These domestic price increases have eliminated much of the economic incentive for exporting fertilizer. In addition, plants are operating at higher rates of production than was expected earlier. These activities, which should increase the domestic availability of fertilizer, and the depressing effect of higher prices on the quantity demanded should ease the severity of the fertilizer problem.

The major unknowns are the level of natural gas curtailments to ammonia producers and logistics problems. Some spot shortages are expected, particularly as record grain shipments compete for limited transportation capacity. However, if these possible shortages are evenly distributed among farmers, crop yields should not be affected significantly. Phosphates have been applied at buildup rates for a number of years. Moderate reductions in application rates this year will have little effect on yield. The impact of reducing nitrogen application rates would be greater. Yet many farmers are applying nitrogen at levels which give only limited yield response. A reduction in nitrogen application rates on these farms would result in much less of a percentage yield reduction than the percentage reduction in nitrogen use.

### Pesticides

Although many pesticides are manufactured from a petroleum base, the pesticide situation for 1974 appears to remain optimistic. Few problems were encountered in 1973 and most of the feedstock materials for pesticides appear to be available for 1974 production. However, a few specific product shortages can be anticipated because of difficulties in moving the limited supply of pesticides to the right places at the correct time. In these cases, farmers may have to substitute alternatives for the preferred product. In addition, prices of pesticides will rise along with costs of production. Several industry representatives are estimating that production costs will increase about 15 percent in 1974.

### Machinery and Equipment

The availability of new farm machinery and equipment is not keeping pace with the quantity demanded. And the industry does not anticipate an inventory buildup before the end of 1974. Consequently, farmers can expect delays in delivery of new equipment items, and most fuel conserving adjustments related to equipment will have to be made within the constraints of current farm inventories. Farm machinery and equipment sales, however, have been high within the last 2 years relative to earlier years. Thus, shortages of this input do not pose a threat to the capacity of agriculture.

## Labor

The supply of farmworkers will continue to be tight throughout the United States, and in some areas shortages will occur. Farmers will likely experience shortages of workers in Florida to harvest citrus and sugarcane, in the Northeast and Virginia to harvest apples, and in California to harvest fruits and vegetables where disputes continue between unions and growers and among unions.

The tight supply of farmworkers last year culminated in a substantial increase in farm wage rates. The average wage rate paid in October 1972 was \$1.82 per hour. For October 1973, the wage rate was \$1.97--an increase of 8.2 percent. This trend in farm wage rates is expected to continue into 1974.

There are, however, two factors which help alleviate some of the labor shortage problems. First, farmers in 9 States have been certified to use nearly 15,000 foreign workers for hand harvest work in sugarcane, apples, potatoes, and peaches. Foreign workers are permitted entry when the U.S. Department of Labor (DOL) certifies that an unfilled need for workers exists and sufficient domestic workers are not available. However, the DOL has raised the wage rates that must be offered to domestic and foreign workers. For example, in Virginia the average farm wage rate this year for domestic workers is \$1.68 an hour. For a farmer to obtain foreign workers, he must offer at least \$2.07 an hour for workers, both domestic and foreign. Last year the rate he had to offer was \$1.92. In 1974, this rate could be as high as \$2.25 per hour.

If the level of unemployment climbs, as some anticipate, the supply of farm labor is expected to increase. This should make it less difficult for farmers to obtain workers and should have a depressing effect on the rate of increase in wage rates.

## Petroleum Fuels

The availability of petroleum fuels remains as one of the major concerns for 1974 agricultural production. Spot shortages have been reported throughout the past year and are expected to continue. However, the recently proposed Mandatory Petroleum Allocation Program which covers the major fuels used in agriculture--gasoline, diesel, and propane--provides for increased use in 1974. For agricultural production, propane and gasoline allocations are set at 100 percent of current requirements. The diesel fuel allocation is set at 110 percent of the base period volume. If the base period is established as the 12 months ending in November 1973, the available quantity of diesel fuel should meet agricultural needs. This is chiefly because field work in many States is ahead of normal.

The price of petroleum fuels will be up sharply. The wholesale price index of refined petroleum products increased 34.7 percent during November and was 89.1 percent higher than a year earlier. This wholesale price increase is an indication of the retail price change expected for petroleum fuels.

## Conclusions

The availability of most farm inputs is expected to be limited in 1974 and prices will be up sharply. Even the price of land resources is expected to climb. In 1974, potential renters are likely to find strong competition for land. Cash rents at the beginning of the year are likely to be 15 to 20 percent above rents paid in early 1973. Thus, we may be seeing the beginning of another farm "price-cost" squeeze.

Farmers should place orders for needed inputs and take supplies as early as possible. Because of the limited supplies, farmers would be advised to accept substitutes for the desired pesticide formulations and fertilizer analyses if such actions will assure delivery of the needed inputs.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
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WHAT CONSUMERS WANT FROM AGRICULTURE

Talk by Nancy H. Steorts  
Special Assistant to the Secretary for Consumer Affairs  
at the 1974 National Agricultural Outlook Conference  
Washington, D. C., 11:00 a.m., Tuesday, December 18, 1973

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The consumer's voice is newly found, but it is gaining unity and power every day. It is calling for increased responsiveness and sensitivity from business and government. This affects the Department of Agriculture, the food industry, and the farmer.

It calls for a new three-way partnership of industry, government and the food industry. Today's consumer is different than yesterday's, and has different demands. The customer who buys today's goods and services is calling for an input before, not just after the goods are in the marketplace.

No longer can consumerism be viewed as an isolated phenomenon that can be ignored. The consumers' demands must be taken seriously. This means USDA must be able to respond quickly to any situation that comes up, supplying consumers with the information that they need, when they need it.

During the food price freeze and the temporary meat shortages last summer communications broke down. Consumers reacted wildly, often buying on the basis of emotion and fear, rather than with planning. They did not trust the information they were receiving.

But we've come a long way since August. The climate among consumers is changing -- and instead of pickets and accusations, the Department of Agriculture is now having discussions and dialogue with consumers. The same is beginning to happen with industry.



The period of extreme emotion is passing. The price of food has stabilized -- as the Department predicted it would -- and consumers are now willing to sit down and analyze the problems faced by agriculture and the food industry. But they are asking for facts, not rhetoric, and we must supply these facts.

Industry must play its role, responding with more sensitivity to customer needs, answering their questions and supplying their basic needs. Consumers have had the shock of realizing that food isn't something that automatically appears on supermarket shelves. This has frightened many of them, but in the last few months they have also learned that there are no quick and easy answers to their concerns. Now they are asking to know more. They are asking to have their thoughts registered and considered.

We in USDA, agriculture and the food industry must listen.

The consumers are taking our industry seriously. We must reciprocate and seek their input as we plan for the years ahead.

USDA can play a crucial role in opening a dialogue between groups that haven't communicated before: the packers and the consumers, the farmers and the retailers. We can provide new information to the consumer about how and why agricultural policy is formed.

USDA can provide the neutral ground and the technical expertise to bring opposing forces and ideas together.

This has already begun. It is why I am here. It is why Secretary Butz has appointed a Special Assistant for Consumer Affairs to report directly to him. The leaders of the Department of Agriculture realize that this is a new era, that government must be sensitive to the needs of the consumer and respond to these needs.

Since coming to USDA in July as Special Assistant for Consumer Affairs I've been amazed by the wealth of knowledge and assistance that is available within the Department -- and how much of this knowledge is already directed toward serving the consumer. There is the school lunch program, the meat and poultry inspection service, the millions of dollars in research related to improved food, the food stamp program. The list goes on and on, with pilot projects being added almost every month.

The Department is certainly not just a place where farm programs are considered. Its role has grown far wider than that and is still broadening. But many consumers feel that this broadening of purpose has confused USDA, that it has caused an "Identity Crisis" within the Department. They explain this by saying that the new direction is toward serving all Americans, but the flow of information from USDA is still largely beamed toward the rural population. They say USDA has not yet learned how to communicate with the consumer in the cities and suburbs.

I'm afraid this is true. And, again, it is part of the reason I am here: to help set up a two-way flow of information. First, I am listening to consumers' needs and then seeing to it that these needs are considered when USDA policy decisions are made. Second, I am helping consumers learn about USDA and the programs and information available from us.

Each side has a good deal to learn. But, the new consumer interest in food and agriculture could become the greatest opportunity the Department has ever had. The key will be getting the consumer groups objectively involved in what we're doing, getting them involved in what the food industry and agriculture is doing.

There is just no better way to get people to understand your problems than to let them help solve them.

I've been traveling a great deal during the past few months and have talked to many consumers. The main thing I've found is that many people do not have any understanding of what USDA is, or what its functions are.

Some believe that we are strictly on the side of the food industry, that we do not have any information worth sharing with consumers. They think of the Department as having "sold out" to agribusiness, the food processors and the retailers.

This is just not true.

You know it and I know it.

But we have to make sure that the rest of the people know it. We simply must let them know what USDA is doing, and we must let them know it honestly.

Supplying food and clothing is a complex business. The fuel and fertilizer shortages will make us realize that it's going to get even tougher. The consumer must learn this -- because he is the one who's going to feel the end effect -- and wonder why.

USDA and the food industry must also become more sensitive to the consumer's plight. For years agriculture has bemoaned the urban housewife for not concerning herself with the cost-price squeeze faced by the farmer. Now agriculture and the food industry must give a little thought to the cost-price squeeze faced by the consumer. We must ask what can be done to keep the squeeze from getting even tighter. If this takes some belt tightening in industry and government, some new packaging regulations, or a little less hard-sell merchandising of high profit items, so be it.

I've found that consumers have two main concerns. First is communications. They want a meaningful partnership of government, themselves



and industry. Consumers not only want to have ready access to useful USDA and industry information, they also want their viewpoint heard and considered when decisions are made.

Second: people are concerned about food quality. They want assurances of nutritional quality: of proper sanitation, and of adequate labeling that allows shoppers to accurately compare the items offered them.

So where do we begin? The process is already underway. As I mentioned I have spent a great deal of time talking to consumers and consumer leaders. I have reported what I have learned to Secretary Butz and the Assistant Secretaries of Agriculture. I've told them that consumers are very concerned about potential shortages, and that they couldn't understand why we were continuing to expand into foreign markets even last summer when there was not enough meat here at home.

There are answers to these concerns and we have to make them known.

I've informed the Secretary's staff of the panic buying I saw in California last August when the beef price freeze was on. I related standing in a supermarket in San Francisco during a moment of pandemonium when housewives were lined up waiting breathlessly for the butcher to bring out the few steaks he had.

One woman filled half a basket, another grabbed two handfuls and when I asked her what cut it was, she said, "Oh, I don't know. It's beef -- that's what's important." She was panicked -- and all the while she was standing in front of a counter filled with poultry, pork and lamb. Yet she was afraid her family wouldn't have enough meat.

In the same store, the shelves were empty of pasta, soup products, tomato paste. People were hoarding insane items. It was unbelievable.

Last summer's shortages -- however temporary -- frightened people. Some Americans had no concept of the alternatives available to them when certain items ran short. The modern American consumer has never had to deal with this sort of thing.

We must make new efforts to inform the consumer of what's happening, why it's happening, and of the adjustments they might make to help ease the situation. We must meet their concerns about nutritional labeling, and about package labeling as it pertains to quantity and quality. They have to have the proper information on which to make their decisions.

It is a large and significant step that USDA now has its ear tuned to direct contact with the urban consumer.

Because of this we are now setting up meetings and discussions with consumers, USDA, and food industry people. This is important. If the Department or industry had involved consumers in this type of dialogue in the past, last summer's problems might not have been as great.

In these meetings we are trying to let consumers know what's going on. One subject we are hitting hard is milk marketing. It is extremely complex and consumers need to know this. They should be involved in the price hearings, the pricing decisions that are being made. They should know why a 5 cent a gallon price rise in milk is justified -- or, indeed, if it is justified. By bringing consumers into such decisions they will be able to learn first hand the problems of dairying and milk distribution. It is equally important that USDA have the consumers' comments before reaching any decisions.

Consumers and producers alike will profit by open dialogues on the major questions such as farm exports; whether or not export controls are needed, the advantages and disadvantages of such controls. Such a meeting is already scheduled.

Open-ended discussions on why last summer's food price controls adversely affected beef and poultry production would help, but again these must be discussions, not one-sided lectures. Government, industry and the producers must level with the consumers, not preach to the consumers.

This has already begun. I just returned from the first meeting involving the consumer, industry and government. It was a consumers' symposium in Tucson, where government representatives, the food industry spokesmen, and consumer leaders from all over the nation sat down for three days. They talked, made plans, and listened carefully to each others' grievances. It was a productive meeting and I came away enthused.

I'm still enthused. The essential dialogue is beginning.

We are all starting to pull together, and realize that there are seldom any mythological middlemen to take the blame for higher prices.

But if consumers are to see the complexities of the food industry; USDA and industry must both realize that consumer service has to be more than a slogan -- that the needs of the consumer have to be considered seriously. Talk is not enough; action must also be taken.

The Department of Agriculture is starting to take that action. Let me give you another example. It concerns a proposal announced November 30, for a new system of assuring accuracy of net weights on packages of meat and poultry products. In the past, when a proposal like this was issued, very little effort was made to seek consumer comment -- even though the proposal might have been of significant interest to the consumer.

While such proposals are published in the Federal Register, and press releases are issued, these traditional methods do not generate a significant volume of consumer comments. Part of this is because these communications never reach the right people. Mailing lists must be updated; new efforts must be made.



Right now we are trying a more comprehensive method to encourage consumer comment. When the net weight proposal was announced a press briefing was held here in Washington to kick things off. Information was distributed to consumer leaders and food editors.

Additional briefings are planned for Chicago, New York City, Atlanta, Dallas, and San Francisco. This will allow consumers in all parts of the country to have the opportunity to directly understand the in-depth implications of the proposal. They will also learn how they can submit specific comments on it.

In addition, an ad hoc group of consumer representatives will be brought together to review and discuss the proposal. They will examine it, probe it, and evaluate its potential benefits for consumers. Their voices will be heard and noted.

I am also attempting to involve and inform many USDA field people to help generate input from consumers. USDA has staff people in virtually every community in the nation. The potential for reaching the consumer is phenomenal -- if we will use it.

Moves such as these are a strong start, and in the future I will try to see that consumers are brought into the game much earlier. They should be in on the formulation of proposals that affect them, as well as being able to comment on proposals already made.

We in USDA can no longer play with a closed deck; we must communicate candidly with the consumers. And if we take the time to share USDA's experience and expertise with them, I believe it will go a long way toward avoiding some of the emotionalism that made an uncomfortable situation worse last summer.

One more improvement we must address is the coordination of efforts within government. Often, two or more agencies will be working toward similar goals -- without any coordination or knowledge of what the other group is doing. This sometimes happens within USDA, and it certainly happens between the various departments of the federal government.

In trying to overcome this, USDA is presently working closely with the Food and Drug Administration on a food safety campaign.

We are working with Virginia Knauer's office concerning many consumer related aspects of food and clothing.

We are beginning to set up other cooperative efforts in conjunction with the Federal Trade Commission and the Department of Commerce.

We are coordinating with the Cost of Living Council.

Within USDA we are continually trying to establish better coordination between the various agencies.

Government is reacting. It is responding to the will of the people, as it should. But let me again emphasize how important that it is that we have agriculture's help. If we can truly establish the three-way partnership I've been discussing, we will succeed in achieving not only what the consumer wants from USDA, but a better life for us all.

We should all be glad that the consumer is finding a voice. It's a new strength within our country. And if business and government respond with sensitivity, the era of consumerism can be the most exciting opportunity we've had for a long time.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
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OUTLOOK FOR LIVESTOCK AND MEATS

Talk by John Larsen

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 1:15 P.M., Tuesday, December 18, 1973

A year ago, we were looking to 1973 as a year of some expansion in meat production with only modest changes in price. But we soon found ourselves among the several analysts who were dead wrong about 1973. Red meat production in 1973 is down 6 percent and prices are up about 35 percent.

The year has been marked by a series of unprecedented conditions that disrupted and confused the livestock scene with consistent regularity. Unusually severe winter weather slowed weight gains of livestock being fed for slaughter and the ban on DES also slowed cattle weight gains, perhaps more than was anticipated. Feed prices rose sharply and discouraged hog producers from carrying out expansion plans they reported late in 1972. Devaluation of the dollar made our meat and feed products more competitive on world markets and foreign buyers helped push prices up. While meat exports this year amounted to only a very small proportion of total production, they were up sharply from a year earlier and the pressure of foreign buyers in the U.S. market probably had some impact on prices early in the year. Also, stronger demand for meat was worldwide, thus raising the price of meat imported from abroad. Price controls on meat caused disruptions in the livestock markets, particularly in the summer, that resulted in smaller supplies of meat and sharply higher prices.

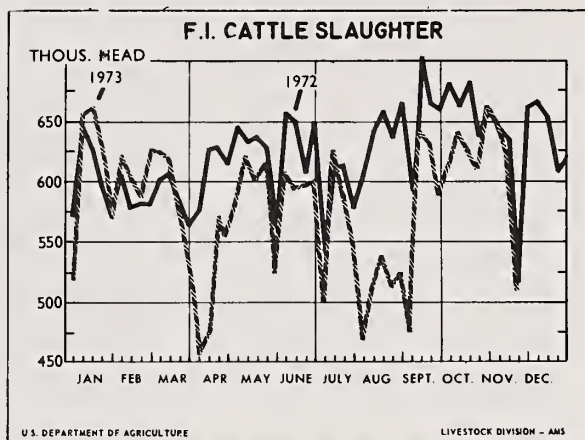
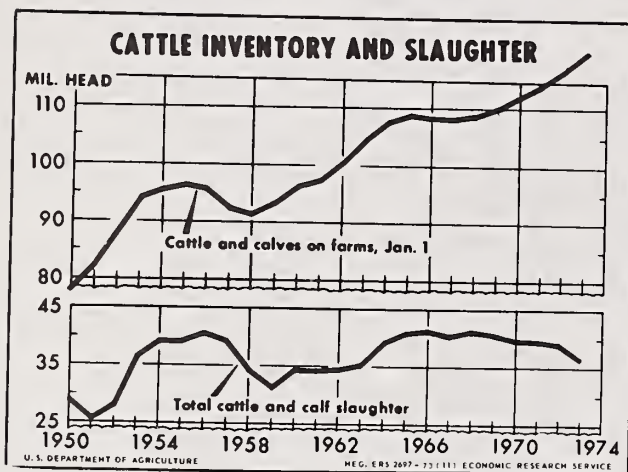
The uncertainties facing forecasters this year seem to be as numerous as ever. For example, there are many questions relating to meat supply forecasts for the year ahead. Also, there are uncertainties regarding the impact of the fuel crisis on the general economy as well as on agriculture. However, based on what is currently known, the fuel crisis is not expected to have a significant effect on the demand or supply of meat.



Let's first consider the prospects for demand for meat in 1974. In 1973, the economy expanded at a rapid rate. Consumer incomes rose sharply and unemployment dropped to a fairly low rate. Also, world supplies were down, demand was strong, and prices were higher. Consequently, there was strong competition for a smaller supply of meat, resulting in sharply higher prices. High prices for meat in 1973 gave a real boost to meat substitutes as consumers sought ways to keep meat expenditures at a minimum.

The economy in 1974 is expected to continue expanding, but at a much slower rate. Consumer incomes are expected to be up from 1973, but by a smaller margin than they were this year. World supplies of meat are expected to be up in importing countries and demand for additional supplies may be less than in 1973. Meat substitutes, though still relatively small, will continue to attract increasing attention in the meat economy. On balance, it would appear that consumer demand will continue strong but its upward thrust will be less dramatic than in 1973.

In reviewing past trends in the livestock industry, we are all familiar with the general expansion of the cattle herd and the cyclical nature of inventory changes. Hog production, while fluctuating from year to year, has shown no strong trend. Sheep and lamb numbers declined sharply through the 1940's, stabilized during the 1950's, and have been declining since 1960.



The cattle inventory has been on the upswing since 1967 and the expansion rate has accelerated in recent years. On January 1, 1973 there were 122 million cattle and calves on farms and ranches. This was 4 million head, or 4 percent, more than a year earlier. With a 4 percent larger calf crop this year, increased imports of live cattle, and reduced slaughter of cattle and calves, and despite higher death losses, the inventory growth during 1973 could double last year's considerable expansion. All of the increase will be in beef cows and young beef animals because the dairy herd is continuing to decline. This means a good potential for substantial increases in cattle slaughter in the next few years.

# Feeder Cattle Supply - October 1

	: 1970	: 1971	: 1972	: 1973	: Percent change
Steers, heifers and calves, January 1.....	51.0	52.0	54.1	55.4	+ 2
Jan.-Sept. calf slaughter...	3.0	2.8	2.3	1.7	- 28
Jan.-Sept. steer and heifer slaughter.....	21.2	21.6	21.8	19.7	- 9
Cattle on Feed, October 1...	<u>10.7</u>	<u>11.0</u>	<u>12.1</u>	<u>12.4</u>	+ 3
Residual yearlings.....	<u>16.1</u>	<u>16.6</u>	<u>17.9</u>	<u>21.6</u>	+ 21
New calf crop.....	<u>45.9</u>	<u>46.7</u>	<u>47.9</u>	<u>50.0</u>	+ 4
Total.....	62.0	63.3	65.8	71.6	+ 9

For example, feeder cattle supplies on October 1 were up an estimated 9 percent from a year earlier. This large increase was the result both of sharply lower placements in the spring and summer (down 13 percent from a year earlier) and a larger 1973 calf crop. Beginning with the January 1, 1973, inventory of young cattle (heifers 500 pounds and over not for replacements, steers 500 pounds and over, and calves) and subtracting January-September steer and heifers and calf slaughter, and cattle on feed October 1, we come up with a net estimated increase of about 20 percent in the supply of yearlings. These would be mostly 1972 calves. Then adding this year's 4 percent larger calf crop makes a total increase of 9 percent. October placements in seven States were 20 percent below a year earlier, thus adding to the backup of feeder supplies. This supply of feeder cattle is the key to 1974 slaughter supplies and should provide a significant boost to slaughter next year.

Fed cattle shipments in the first half of 1974 are expected to total above January-June 1973 shipments with all of the increase in the spring. First, consider prospects for winter. On October 1 there were 5 percent fewer cattle in weight groups (steers 700-900 pounds and heifers 500-700 pounds) that make up the bulk of fed cattle normally marketed in the winter. Unless weather continues favorable for good gains, marketings of cattle from these weight groups may be down more than indicated by the change in their number. Gains may be slower this winter than last as a result of some change in rations due to high feed costs. Also, feeding efficiency will reflect the full impact on the banning of DES in contrast to last winter when only the initial effects of its restricted use were noted. Reductions may be somewhat offset by some carryover of cattle from those normally slaughtered in the fall. The lower cattle prices of the last several weeks have also slowed marketings as feeders have been reluctant to sell on a down market, considering what they paid for the cattle as feeders and feed costs. On balance, fed cattle marketings this winter could be down perhaps 4-6 percent from a year ago and 4 to 6 percent fewer than in the fall.

The picture should change in the spring. Second quarter marketings could be up 7-9 percent from a year ago and 6-8 percent above winter shipments. To achieve this kind of increase, producers will have to step up late fall and early winter placements rather sharply. Considering the large numbers of 1972 calves that are still around, it would appear that high placement rates are possible. If placements continue to be delayed, then heavier marketing rates will be delayed until later in 1974.

Severe weather conditions and effects of the January 1 ban on DES implants, were major factors that contributed to slower feedlot gains this past spring, resulting in a 6 percent drop in fed cattle marketings rather than the intended 5 percent increase.

Fed cattle marketings in the second half of 1974 will depend largely on placements in the first half of the year. Based on inventory data, feeder cattle supplies will be adequate to provide a substantial increase. Summer marketings could more than remake the 14 percent drop in July-September 1973. Fall marketings next year may not change much from summer but still may be larger than this fall.

Thus, fed cattle marketings next year could exceed 1973 marketings by a fairly sizeable margin, but would be only a little above 1972 marketings.

Cow slaughter probably will be up again in 1974 with increases associated more with the beef cow herd than in 1973. This year, 3 percent more cows were slaughtered through October than last year. The total cow herd has been increasing very rapidly in recent years and slaughter has been low in relation to the number of cows on farms and ranches. Since the breeding herd began expanding more rapidly, cow slaughter as a percentage of the breeding herd has declined to levels near the early 1960's when the herd buildup was also in full swing. In 1972 total cow slaughter was only 12 percent of the January 1 inventory. This was the same as in 1963, which was a year prior to substantial increases in slaughter. This year, cow slaughter is as small, relative to the January 1 inventory, as last year. Rapid expansion of the breeding herd in recent years, together with low culling rates, means the average age of the cow herd is advancing. Increased culling rates in 1974 and later would be consistent with past experience.

First half 1974 hog slaughter and pork production will continue to lag year-earlier levels. The bulk of marketings in that period will come from the 1973 fall pig crop. The 10 States June-August pig crop has been reported at 4 percent below last year. These pigs will be marketed mostly in the winter. Intentions for farrowings during September-November showed no change from a year earlier. Thus if litters average near year-earlier levels in that period, the number of pigs produced during September-November totaled about the same as a year earlier. These pigs will provide the bulk of spring slaughter supplies. We will have more information about production plans when the Hogs and Pigs report is released December 21.



Although delayed marketings resulting from changes in feeding rations may not be as important this fall and winter as they were in the summer, they will still be a factor in slowing marketings and reducing slaughter rates in the first half of 1974. Corn and protein feed prices are down from summer. Protein use may pick up and gains improve as the year progresses. However, gains are not expected to reach previously normal levels until later in 1974. Farmers probably will change gradually back to more normal feeding schedules as they shifted slowly into those they now are using. On balance, a 3-5 percent reduction in slaughter this winter may be followed by a smaller decline of 2-4 percent in the spring.

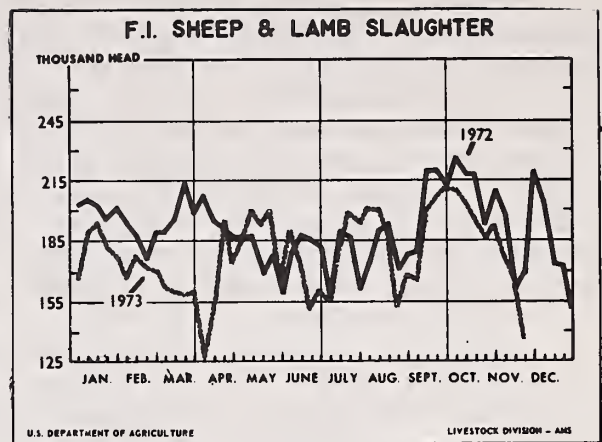
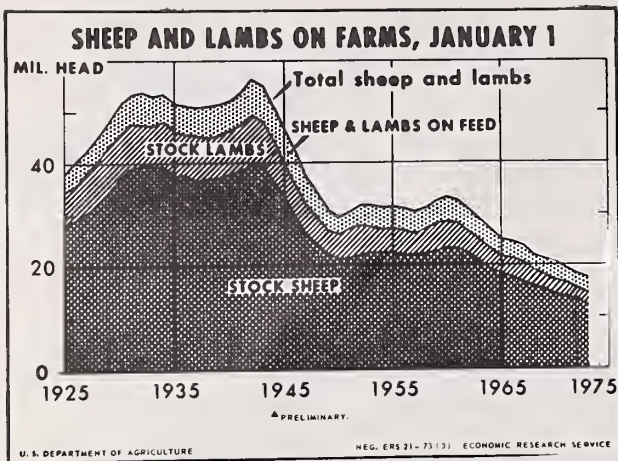
Reports of farrowing intentions in the 10 Corn Belt States indicate no increases are planned for the December-February pig crop. These hogs will reach market weights in the summer. But by then, producers may be back to feeding more normal rations if feed prices are lower. Consequently, slaughter rates could increase some because of a shortened feeding period.

Producers have been unwilling to expand production in the face of high feed costs and other increasing expenses even though hog prices have risen sharply in 1973. Corn prices increased 80 percent from January to August. Just as significant, high protein hog feed rose more than 60 percent during the same period. Also, building new facilities for hog production would increase production costs more than last year. In August, farmers paid nearly 20 percent more for all production items than in January and 30 percent more than a year earlier. By November, protein feed costs had dropped back to near January levels with soybean meal costing \$11.20 per 100 pounds at the farm compared with \$10.50 in January.

Hog producers this winter may be encouraged to increase slightly the number of sows bred since hog prices have been fairly stable for the past few months and feed prices will probably be lower than this summer and fall. This would result in a small increase in March-May farrowings. Such an increase, together with a shorter feeding period, could mean a moderate increase in 1974 fall slaughter.

Thus, we are looking for little net change in hog slaughter in 1974, with some further reduction in the first half about offset by an increase in the second half.





This is the 13th consecutive year that sheep and lamb numbers have dropped. The sheep inventory declined an average of 4 percent annually from 1960 to 1970. Since then, the annual loss has accelerated, and last year slipped 1 million head, or 6 percent. The beginning inventory this year totaled 17.7 million, down 5 percent from a year earlier and only half the number that were reported in 1960. The inventory decline will probably be about as large this year as last.

Some slowing of the downtrend in sheep numbers may be in prospect. Lamb prices in 1973 reached the highest levels on record, despite the failure of the lamb market to fully mirror advances shown by other classes of slaughter livestock. Also, wool prices have more than doubled 1972's annual average of 35 cents per pound and are the highest since 1951. If lamb and wool prices stay up next year, producers may be encouraged to slow the liquidation rate. A lower cattle market may induce some producers to stay in the sheep business, particularly in the West.

Sheep and lamb slaughter in 1974 will continue lower. Smaller winter supplies will be the result of fewer lambs available for feeding this fall. Summer slaughter was near year-earlier levels principally because a larger proportion of lambs were going direct to slaughter from grass, thereby reducing fall feeding supplies. April-December slaughter next year will continue below a year earlier because the 1974 lamb crop will be down from 1973.

**Commercial Meat Production**

	1972				1973				1974 <sup>1</sup>	
	I	II	III	IV	I	II	III	IV <sup>1</sup>	I	II
Beef (Mil. lbs.) . . . . .	5,370	5,566	5,559	5,723	5,386	5,041	4,992	(5,550)	(5,225)	(5,500)
Percent change from year earlier . . . . .	+1	+2	0	+6	0	-9	-10	-3	-3	+9
Previous quarter . . . . .	0	+4	0	+3	-6	-6	-1	+11	-6	+5
Pork (Mil. lbs.) . . . . .	3,503	3,386	3,064	3,507	3,262	3,178	2,792	(3,295)	(3,130)	(3,080)
Percent change from year earlier . . . . .	-5	-8	-11	-8	-7	-6	-9	-6	-4	-3
Previous quarter . . . . .	-8	-3	-10	+14	-7	-3	-12	+18	-5	-2
Lamb and Mutton (Mil. lbs.) . . . . .	142	130	124	137	125	126	128	(130)	(119)	(120)
Percent change from year earlier . . . . .	-2	-2	-4	0	-12	-3	+3	-5	-5	-5
Previous quarter . . . . .	+4	-8	-5	+10	-9	+1	+2	+2	-8	+1

Before examining the prices for 1974, let's briefly summarize anticipated supplies of red meats. Winter beef output may be down 2 to 4 percent from a year ago and 5 to 7 percent from this fall. A drop in fed beef output is expected to more than offset a small prospective increase in cow slaughter. In the spring quarter, a small increase in cow slaughter will be joined by a substantial increase in fed beef output, for an 8-10 percent increase from a year earlier and 4-6 percent larger than in the winter. Summer output may be substantially above the lower output this past summer, with a large increase in fed beef and a little more cow beef. Fed beef production probably will continue large next fall and, together with seasonally larger cow slaughter, total beef supplies could moderately exceed October-December 1973.

If these quarterly estimates are reasonably correct, then 1974 total beef production would exceed 1973 about 6 to 7 percent. However, that would only about match 1972 output and be around 4 percent above 1970.

Pork output next year is expected to about equal this year's production, with smaller supplies in the first half about offset by increases in the second half. Lamb and mutton production could be down about as much as the drop in the 1974 lamb crop. Veal output probably will be down again but by a smaller margin than in 1973.

These estimates point to a modest increase in total per capita supplies, with more beef more than offsetting reduced supplies of lamb and mutton and veal. Little change in pork output is anticipated in 1974.

**Livestock Prices**

	1972				1973				1974 <sup>1</sup>	
	I	II	III	IV	I	II	III	IV <sup>1</sup>	I	II
	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>	<i>Dollars per 100 pounds</i>
Choice Steers, Omaha ..	35.69	36.02	36.24	35.06	43.17	46.00	49.04	(40-42)	(44-46)	(41-43)
Barrows and gilts, 7 markets .....	24.67	24.98	28.85	28.89	35.62	36.67	49.04	(41-43)	(42-44)	(42-44)
Slaughter lambs, 5-markets	28.70	31.85	31.00	27.90	38.25	36.00	36.63	(33-35)	(38-40)	(37-39)

<sup>1</sup> Forecast.

The larger meat supplies will mean generally lower livestock prices. However, in the winter, if beef output drops as expected, fed cattle prices will strengthen and may average near \$44 to \$46 for Choice grade steers at Omaha. This would be up around \$4-\$5 from fall and \$2-\$3 above a year earlier.

In the spring, with a substantial increase in production from winter and a year earlier, prices will drop but probably stay above fall prices. Continued larger output in the second half would sustain downward pressure on prices.

Smaller pork and beef supplies in the winter will also probably lift hog prices. In the spring quarter, hog prices may not change much despite a seasonal decline in hog slaughter, if beef supplies increase at that time as expected. With second half slaughter rising above a year earlier and beef output up substantially during that period, hog prices will trend lower during July-December and average below July-December 1973 levels when barrows and gilts at 7 markets averaged about \$45.

Lamb prices probably will strengthen through the winter and decline in the spring as they did a year ago, averaging above 1973's January-June average of \$37 at 5 major markets (San Angelo, South St. Paul, Sioux Falls, Wichita, West Fargo). In the second half, with supplies of beef and pork running above a year earlier, lamb prices will be under pressure.

# Feeding Costs 1/

Item <u>2/</u>	1972				1973			
	I	II	III	IV	I	II	III	Oct-Nov.
	-----Dollars per head-----							
Feeder steer.....	230	240	250	270	300	320	350	310
Feed.....	80	85	90	95	105	125	160	150
Non-feed.....	60	55	60	55	75	75	70	60
Total.....	370	380	400	420	480	520	580	520
Break even prices to cover costs for fed cattle marketed in: <u>3/</u>	JULY- SEPT 1972	OCT- DEC 1972	JAN- MAR 1973	APRIL- JUNE 1973	JULY- SEPT 1973	OCT- DEC 1973	JAN- MAR 1974	APRIL- JUNE 1974
	-----Dollars per 100 pounds-----							
To cover cost of:								
Feed and feeder.....	30	31	32	35	39	42	49	44
All costs <u>4/</u> .....	35	36	38	30	46	50	55	50

1/ Selected expenses on con-current basis.

2/ For detailed breakdown of costs see feeding table in Livestock and Meat Situation 194, issued December 7, 1973.

3/ Assumes 180 day feeding period.

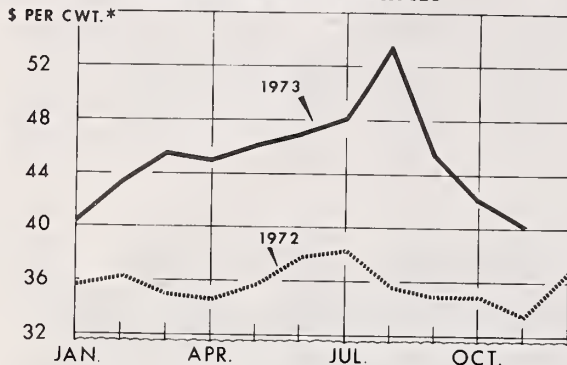
4/ Includes return to management.

Some cattle feeders have been selling fed cattle at a loss since late September. Although costs of both feeder cattle and feed have declined from summer levels, cattle feeders will require a much higher market next winter and spring in order to cover costs of production. If supply forecasts for the first half are reasonably accurate, and fed cattle prices do not advance more than currently anticipated, then losses in the feeding industry are likely to continue well into 1974.



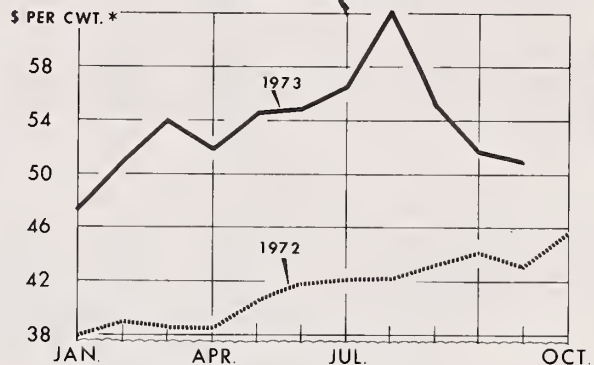
In looking beyond 1974, cattle inventories suggest the strong possibility of further increases in beef production. Pork output could rise slowly while lamb and mutton and veal continue slipping.

### SLAUGHTER STEER PRICES



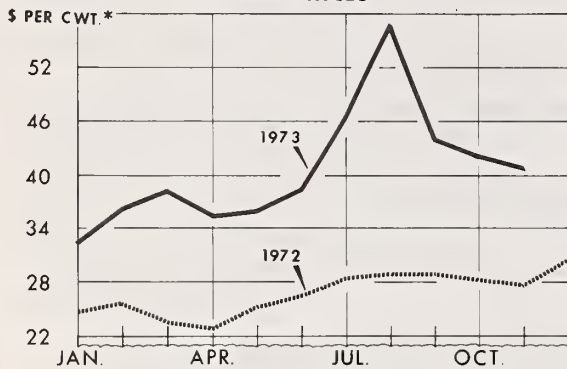
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### FEEDER STEER PRICES



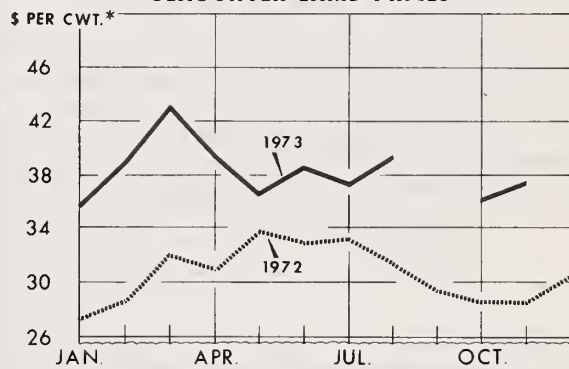
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### HOG PRICES



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### SLAUGHTER LAMB PRICES



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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR POULTRY AND EGGS

Talk by William E. Cathcart

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 1:45 P.M., Tuesday, December 18, 1973

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Production of poultry and eggs is expected to gain in 1974 after lagging in 1973 even though the outlook is clouded by more than the usual uncertainties. Turkey production continued at record levels in 1973 but broiler output slipped. Egg output was moderately lower.

Despite the many uncertainties facing the general economy, strong consumer demand for high-protein foods and relatively high red meat prices will tend to support poultry and egg prices throughout 1974. However, poultry and egg prices are not expected to match the highs of 1973.

The sharp runup in egg, broiler, and turkey prices this year was the result of many factors. Reduced supplies of foodstuffs, soaring foreign demand, a superheated domestic economy much of the year, international monetary adjustments, changing economic stabilization programs, and inflation all help to make 1973 unstable and uncertain for everyone from producer to consumer.

High-protein food supplies declined in 1973 as feed prices surged. Egg producers, who had faced periods of depressed prices during 1971-72, were in a relatively low phase of production and broiler and turkey producers cut back on earlier expansion plans as feed prices rose.

At the same time a buoyant economy provided increasing levels of employment and higher incomes for most families. Consumer spending was further augmented by large income tax refunds, increases in social security payments, and broadened welfare programs. In addition, export demand rose sharply as many other countries had poor harvests and devaluations of the dollar made



U.S. farm products relatively less expensive in terms of many foreign currencies. This encouraged many foreign countries to substantially expand imports of U.S. foodstuffs.

In early 1973 few of these factors were foreseen. We did not know how strong foreign demand would be and few if any suspected that grain and soybean prices would skyrocket to the heights they reached by mid-1973.

More important we need to recognize that most of these forces will continue to operate in 1974. In addition, the energy crisis continues to worsen. This likely will result in some slowdown in the growth of the general economy and result in increased unemployment. Personal disposable incomes may continue to gain but the rise will be less than in 1973.

Both domestic and foreign demand for high-protein foods will continue strong. Despite large grain and soybean crops, feed prices are expected to stay well above recent years prior to 1973. Export commitments for grain and soybeans from the 1973-74 crops are large and will help keep feed ingredients in a relatively tight supply during the 1973-74 marketing year.

#### Competition From Red Meat to Intensify

The poultry industry may face greater competition from increasing red meat supplies in 1974. Pork supplies in the first half of 1974 are expected to be below January-June 1973 but during the last half of the year may be above the low July-December 1973 output. For the year, pork supplies may be about equal to 1973 but well below 1971 and 1972 supplies. Prices for pork are expected to remain above 1973 levels in the first half of next year but slip below the high levels of 1973 during the summer and fall.

Beef output is expected to exceed 1973's output by spring and then continue larger in the second half. However, the increased production in 1974 may only bring output back up to 1972 levels. Prices are expected to strengthen this winter before trending downward throughout the balance of 1974.

Continued strong demand probably will hold red meat prices at relatively high levels in 1974. They likely will average below 1973 but probably will stay well above those of any other recent year.

Prospects for relatively high red meat prices, increased consumer incomes, and generally strong demand for food indicate a favorable outlook for poultry and egg producers as we move into 1974. The actual profitability of poultry and egg production will depend largely on the level of feed prices and producer decisions on whether to expand output and if so by how much.

#### Expansion Coming For Eggs

U.S. egg production this year will total nearly 5 percent less than in 1972. Lower output this year will result from about a 16 million decline

in the average number of layers. The average daily rate of lay will be about the same as a year ago.

What caused the decline in layer numbers? Depressed egg prices in 1971-72 caused producers to reduce hatchery activity and cull old flocks vigorously in 1972. Also, the outbreak of Exotic Newcastle disease in California and subsequent depopulation of flocks contributed. Thus, the laying flock last January 1 was down a little more than 6 percent from a year earlier.

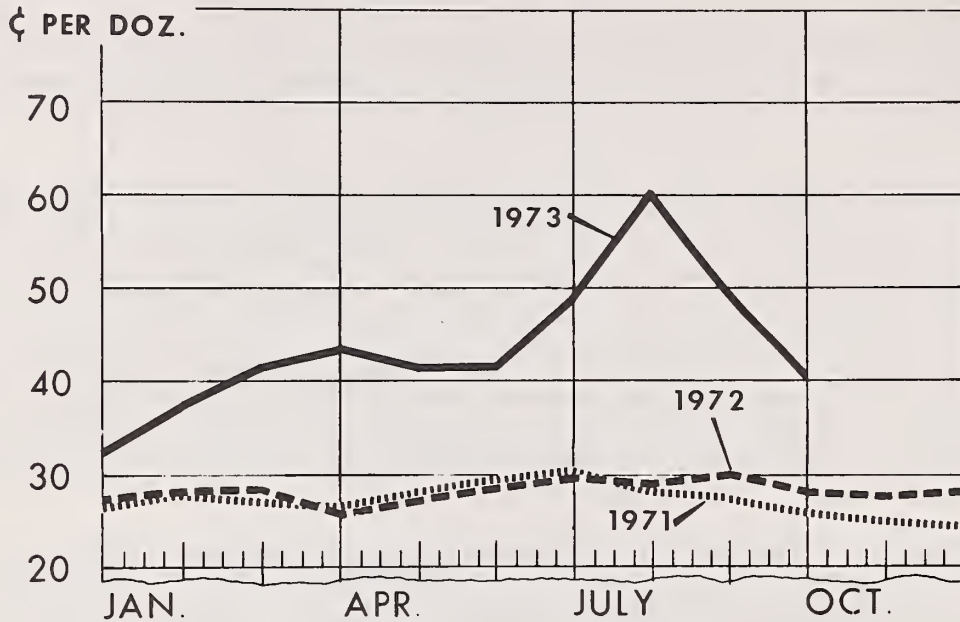
As egg prices picked up in late 1972 and early 1973 hatchery activity gained and culling eased. But high feed costs caused producers to temper earlier plans to increase output. Nevertheless, flock size was on a recovery path until the price freeze was imposed in June. Production was only 3 percent below year-earlier levels on June 1. When the price freeze was imposed producers responded by stepping up their culling of old layers. During June-July there were 3.4 million more hens slaughtered in Federally inspected plants than in the same months of 1972 when culling was already heavy. When price ceilings were lifted in July, egg prices surged, culling eased, and hatchery activity picked up.

Egg production will remain below year-earlier levels until early 1974. Then it will pick up sharply by mid-1974 as replacement pullets entering the flock more than offset the number of old layers culled. Producers have responded to high prices and increased profitability for eggs in recent months by sharply increasing hatchery activity. The egg-feed price ratio for August-November averaged 8.5. This compares with an average of 7.4 for the same months of 1972. The egg-feed ratio indicates the number of pounds of feed equal in value to a dozen eggs.

During July-October this year 21.4 million more egg-type chicks were hatched than in 1972. In addition, eggs in incubators on November 1 were up 15 percent. This indicates about a 14 percent increase in the number of pullets available for flock replacements during the first 4 months of 1974. Thus, we can see the beginning of a rapid buildup in flocks by next spring. The egg industry is concerned that producers may step up output too rapidly if the chick hatch continues as it has in recent months. In the past, such sharp rises in flock size have led to lower egg prices, and in many instances prices have dropped below the cost of production.

The culling of old hens picked up in September-October after falling well below year-earlier levels in August. Slaughter of mature hens in Federally inspected plants in September was about 14 million birds, 6 percent above last year. And weekly slaughter reports for October indicate about 5 percent more mature hens were culled than the comparable period in 1972. Earlier, we had expected culling of old hens to drop, but producers are apparently continuing to cull more old hens in anticipation of the expected large increase in the number of replacement pullets available in coming months.

## BROILER PRICES\*

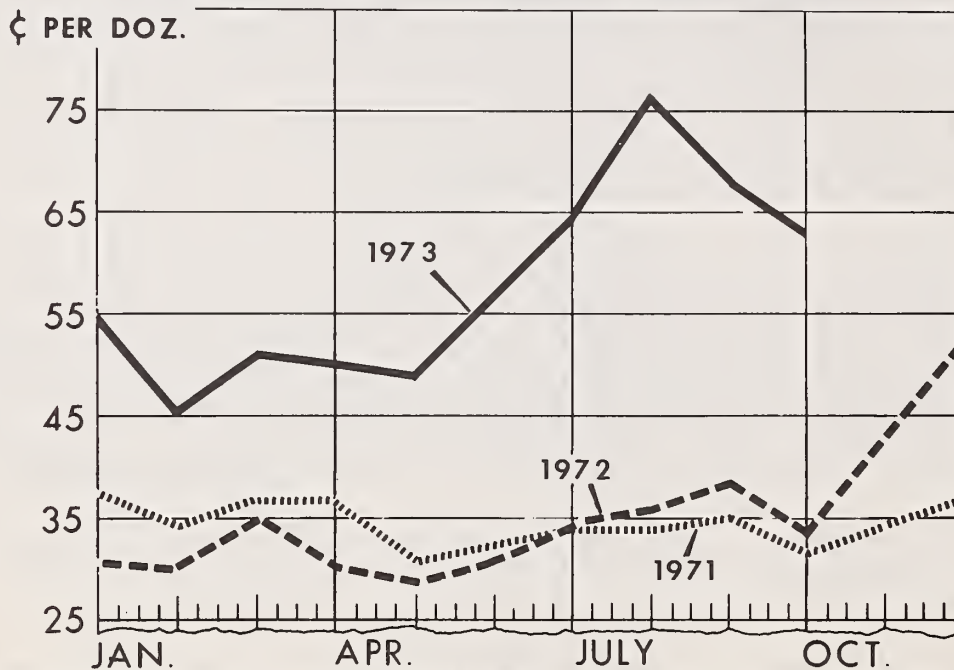


\* NINE CITY WEIGHTED AVERAGE.

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## WHOLESALE EGG PRICES, NEW YORK\*



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\* GRADE A LARGE

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The annual increase in the number of eggs laid per hen plateaued in 1973 after rising sharply since late 1970. Eggs per hen this year will average about the same as the 228 in 1972. The rate of lay has gained since August, apparently due to the younger flock and a drop in feed prices. During June-August, when feed prices were extremely high, many producers apparently reformulated layer rations and in some instances reduced protein levels. This caused the rate of lay to lag. Although feed ingredient prices have gained in recent weeks, they have dropped sharply since August with protein prices declining relatively more than corn. Thus, producers have likely again raised the protein levels and the rate of lay has picked up. In addition, birds in the laying flock probably will be younger and more productive as larger numbers of replacement pullets enter the flock.

Egg prices gradually declined after reaching highs for the year in August. The New York wholesale price for Grade A large eggs averaged about 63 cents a dozen in October. This was 13 cents below August but about 30 cents above last year. They have strengthened in recent weeks and averaged about 70 cents a dozen in late November.

Prices received at farms by Georgia and Iowa producers for Grade A large white eggs averaged about 55 cents a dozen in October. This was a decline of about 13 cents from August but still about 29 cents above October 1972. The average national price received by farmers for all eggs, including hatching eggs and eggs sold direct at retail, averaged 59.6 cents a dozen in October. This was 5 cents below the previous month but almost 29 cents above a year earlier.

Egg prices will remain strong for the remainder of 1973 due to reduced supplies and higher prices for other high-protein food. Egg prices likely will weaken seasonally this winter and spring as supplies increase. Prices may slip below year-earlier levels by mid-1974.

#### Broiler Expansion To Be Moderate

A moderate expansion in 1974 broiler production is likely following a small decline in 1973. The increase may be about the same as the 1963-72 average when production expanded at a rate of about 100 million birds or a little less than 5 percent a year. The average liveweight of bird marketed may also continue to creep upward.

This year's broiler crop is expected to total about 2 percent below the record of 3.1 billion broiler produced in 1972 but still well above other previous years. The number of broilers marketed through Federally inspected slaughter plants during the first 3 quarters of this year was down about 2 percent. The average liveweight, at 3.7 pounds, was slightly lighter. Post-mortem condemnations of young chickens in Federally inspected plants continued their downward trend of recent years. Post-mortem condemnations during January-September were 2.7 percent of the 7.3 billion pounds



(new York dressed weight) inspected, compared with 3.1 percent in the like period of 1972 and 3.8 percent in 1971.

Output of broiler meat in Federally inspected plants for January-October totaled 6.6 billion pounds ready-to-cook, about 1 percent less than a year ago. In 1972 almost 95 percent of the broilers produced were moved through Federally inspected plants, up 2 percentage points from 1971. The trend of an increasing share of the broilers being marketed through Federally inspected plants probably continued this year.

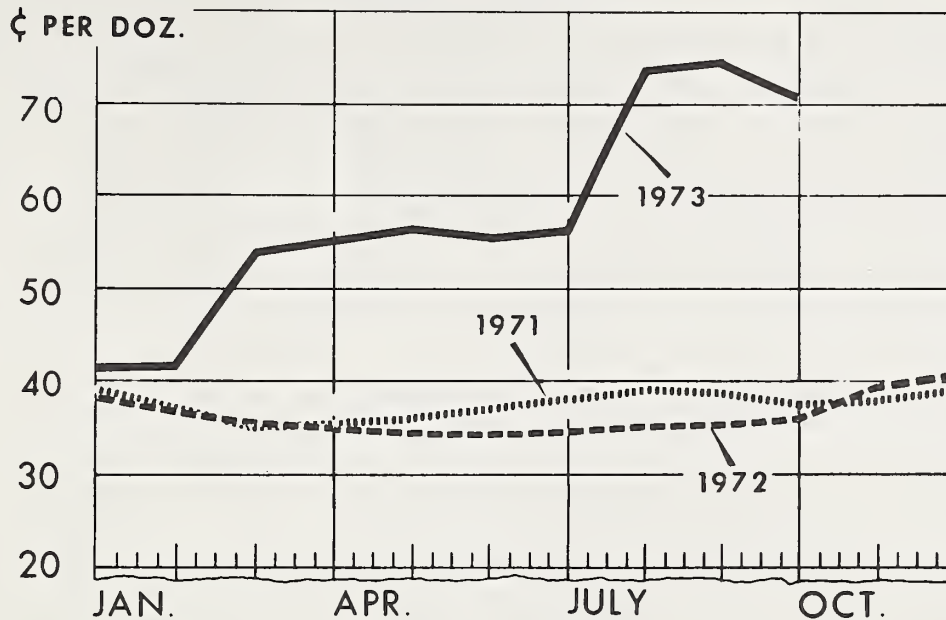
Broiler output has gained relative to 1972 this fall but will temporarily drop below a year earlier in early 1974. Subsequent output will probably gain and average moderately higher during most of 1974. Weekly broiler chick placements for December marketing are up slightly from a year earlier but egg sets for broiler marketings in early January are lagging. Profitability of broiler production has declined in recent months because broiler prices have slipped faster than feed costs. However, prospects for lower pork supplies through at least the first half of 1974 and continued relatively high red meat prices will likely encourage producers to expand broiler output in 1974.

The availability of hatching eggs may limit expansion in broiler meat output during the first half of 1974. Based on the accumulation of chicks placed domestically 7 to 14 months earlier, the broiler hatchery supply flock at the beginning of 1974 will be about 4 percent below a year earlier. But flock size is growing and likely will exceed 1973 levels in early spring. Also, the number of layers necessary for producing eggs for broiler hatching use has declined sharply in recent years. Although the hatchery supply flock in October this year was 6 million below the 19.7 million layers in October 1970, the average weekly broiler eggs set was down only 1.5 million from the 63.3 million in October 1970.

Broiler prices followed their normal seasonal price decline this fall. Broilers in 9 cities during November averaged around 34 cents a pound at wholesale, down about 6 cents from October but 6 cents above October 1972. Broiler prices for January-November averaged 52 percent above the same months of 1972. Broiler feed prices paid by producers also increased sharply and averaged about 55 percent higher. Although broiler meat output during this period was down about 2 percent, the sharply higher broiler prices largely resulted from strong consumer demand, reduced beef and pork supplies, and much higher red meat prices. Beef production during January-September was down 6 percent and pork lagged year-earlier levels by 7 percent.

Broiler prices probably will gain in the winter and spring as pork production continues to lag a year earlier and red meat prices remain relatively high. Prices may average above a year earlier in the winter but will lag the high 1973 prices in the spring and summer. Prices in 1974 are not expected to repeat the sharp rise of January-August 1973. The 9-city wholesale broiler price increased from 32.7 cents a pound for the first week of January to a high of 73.7 cents a pound for the first week of August.

## TURKEY PRICES \*

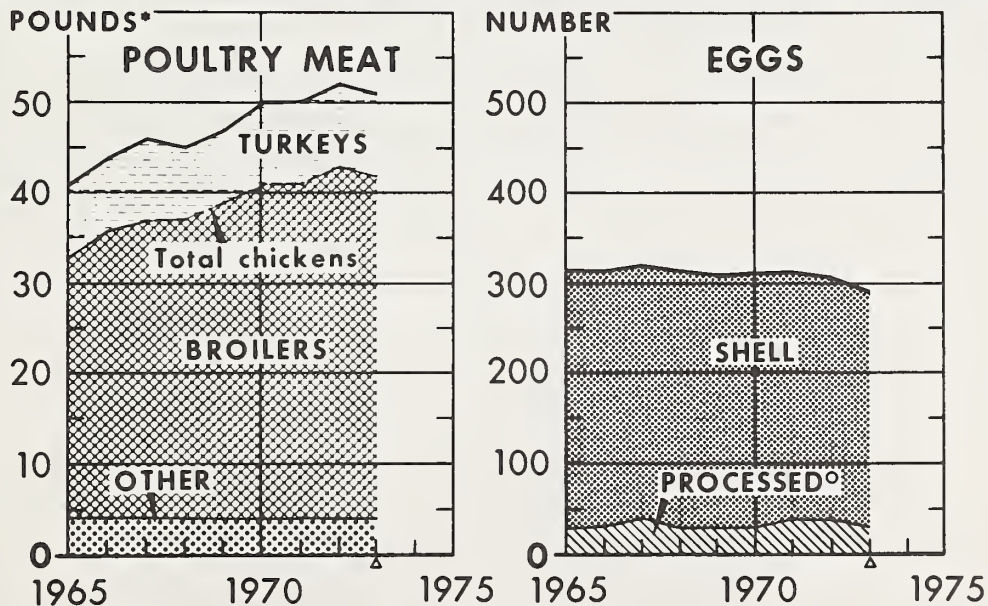


\*YOUNG HENS 8-16 POUNDS, NEW YORK.

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## PER CAPITA CONSUMPTION OF POULTRY AND EGGS



\*READY-TO-COOK WEIGHT.    Δ ESTIMATED.    ° CONVERTED TO SHELL EQUIVALENT.

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NEG. ERS 3880-73 (8) ECONOMIC RESEARCH SERVICE

## Boost Turkey Output in Early 1974

Turkey production during the first half of 1974 likely will run well above January-June 1973. Turkey poult production in August-October, for marketing during early 1974, was 13 percent above a year ago. In addition, there were 8 percent more turkey eggs in incubators on November 1 than a year earlier.

If turkey breeder flock owners carry out their September 1 plans to keep 15 percent more breeder hens for next year's hatching season, turkey production will be substantially larger throughout 1974. However, declining turkey prices this fall and continued high feed costs next year likely will alter producers decisions and some of these breeder hens may be marketed before the heavy hatching period in 1974.

Price depressing effects of larger output may be offset in early 1974 by strong demand for turkeys for further processing, increased consumer incomes, and relatively high red meat prices. But, if producers expand output in 1974 as indicated by reported intentions to hold breeder hens, prices may dip below year-earlier levels before midyear.

The 1973 turkey crop is estimated to total 132 million birds, up 2 percent from the 1972 record crop. Nevertheless, turkey meat output likely will be about the same as in 1972 because of lighter marketing weights. Through October this year the weight of bird marketed averaged a little more than 3 percent lighter. During January-October this year, turkey meat output in Federally inspected plants totaled 1.3 billion pounds (ready-to-cook weight), about 40 million pounds below the same months of 1972.

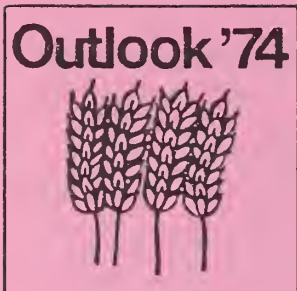
Based on poults placed 4-6 months earlier, output during November and December is near year-earlier levels. However, total supplies during November-December are below a year earlier because of a 17 million pounds decline in cold storage stocks on November 1.

Consumer demand for turkey meat has been unusually strong this year as prices of red meats have gone up. Despite sharply higher turkey prices, disappearance of turkey meat through January-September this year was above a year earlier. Domestic consumption during this period totaled around 17 million pounds more than the 970 million pounds consumed in the same period of 1972.

Foreign demand also increased and turkey meat exports this year are well ahead of a year ago. Exports of whole turkey meat and turkey parts, excluding livers, for January-September totaled 31.8 million pounds, ready-to-cook weight. This compares with 19.9 million pounds in the same period of 1972.

Turkey prices generally trended upward into early October before turning down. Prices of consumer size young toms have declined the most. New York wholesale prices of 8-16 pound young turkey hens averaged nearly 76 cents a pound for the week of October 5 while 14-20 pound young toms were around 73 cents. Following this high for the year, prices slipped and for the week ending November 23, young hens averaged 66 cents a pound and young toms 61 cents.





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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

ENERGY OUTLOOK AND IMPLICATIONS FOR THE FAMILY<sup>1/</sup>

Talk by Marilyn Doss Ruffin  
Consumer and Food Economics Institute  
at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 2:00 P.M., Tuesday, December 18, 1973

Energy is front page news. Debate over whether or when the "crunch" will come has stopped. Officially, the situation now is termed "energy crisis."

The Situation

The immediate concern is petroleum, which supplies 46 percent of our energy needs and serves as the raw material, or "feedstock," for a long list of synthetic organic "petrochemicals." (The remainder of our energy is supplied by natural gas--32 percent, coal--17 percent, hydropower--4 percent, and nuclear power--1 percent.) Primarily because of the cutoff of oil from the Mideast, energy supplies are expected to be substantially short of needs this winter, particularly during the early months of 1974.

The energy situation was serious even before the oil embargo. A Federal interagency study dated October 1972 stated, "The United States faces the prospects of serious energy shortages over the next several decades."<sup>2/</sup>

By the third quarter of 1973, problems were occurring in many areas of energy:

- . Supplies of natural gas continued tight, limiting new customers.
- . Propane--used as both fuel and feedstock--was in short supply, partly because wet weather had increased the need for propane to dry crops.

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<sup>1/</sup> Developments occurring after December 11, 1973, are not reported in this paper.

<sup>2/</sup> Office of Emergency Preparedness, The Potential for Energy Conservation--A Staff Study, October 1972, p. 1.



- . Electrical blackouts and brownouts occurred as peak air conditioning loads overtaxed generating and delivery systems.
- . During the summer travel season, many gasoline stations were out of gas; some closed down permanently.
- . Drought in the Pacific Northwest depleted hydroelectric generating capacity.

In addition, domestic production of petroleum was declining at a time of growing demand, and refinery construction was lagging. Natural gas production had not increased significantly in the last 2 years. An Interior Department report dated September 15, 1973,<sup>3/</sup> stated that if winter energy demands were to be met, increased levels of oil imports would be required.

The Administration has announced emergency actions to deal with the crisis. Conservation of energy is an important part of the strategy. Policy for the short term is: "to minimize the impact of energy shortages on the economy, to maintain production and employment to the maximum extent possible, and to spread the impact of shortages over less essential energy consuming activities."<sup>4/</sup> Priority will be given to fuel production activities, public passenger transportation, food production and processing, and essential community services.<sup>5/</sup> Over the longer term, energy self-sufficiency is the goal.

The President has asked Congress to pass legislation to establish a new agency, the Federal Energy Administration, to consolidate Federal energy activities. Federal energy efforts now are being coordinated by the Federal Energy Office, established by executive order on December 4, 1973.

### The Family

The real concern, of course, goes beyond keeping warm in our homes and having enough gas for our cars. Energy means fuel and fertilizer for farming and fuel for processing and transporting our food supply. It means electricity for our homes and businesses.<sup>6/</sup> It means the ability to produce goods and services, including vital community services such as education, health

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<sup>3/</sup> U.S. Department of the Interior, The Distillate Fuel Oil Situation, Winter 1973, September 15, 1973, p. 3.

<sup>4/</sup> The White House, Fact Sheet on Federal Energy Organization, December 4, 1973.

<sup>5/</sup> The White House, Fact Sheet on New Energy Emergency Actions, November 25, 1973, p. 5.

<sup>6/</sup> For information on electricity, see "Electric Power: a Crisis Ahead?", Family Economics Review, September 1972.

services, and protection of our homes and communities. Energy means Gross National Product. Energy means jobs.

For the family, the energy crisis has broad implications. In the year ahead, it will mean inconvenience and discomfort. For some, it will mean loss of income. It will mean confusion, as patterns we've become accustomed to are questioned. It will mean rethinking the family budget as price relationships change. Specifically, it will mean--

- . Higher prices for fuel and electricity. Already, fuel oil prices are rising. Residential users have been asked to lower their thermostats to reduce their consumption by 15%. In many areas, rate increases for electricity have been granted. The policy of discounts to volume users will be under scrutiny. The Administration is considering surcharges to discourage excessive use of gas and electricity.
- . Reduced supplies of gasoline, higher prices, perhaps rationing. The President has asked refineries to make less gasoline and more home heating oil. Families will need to reduce their consumption of gasoline. Reduced speed limits and a Sunday ban on gasoline sales have been announced; legislation is required for these measures to be uniformly imposed. Rationing at the consumer level is a possibility. A December 4 White House press release stated that measures under consideration include "Use of coupons, price increases, taxes, or a combination of the three, to bring gasoline consumption in line with demand at the lower levels of expected supply."
- . Higher prices and tighter supplies for many consumer goods. Particularly affected are products with high energy inputs in production or transportation as well as the synthetics made from petroleum or natural gas. These include paints and varnishes, glues, dyes and colorings, medicinal chemicals, flavorings, perfumes, plastics, synthetic rubber, agricultural chemicals, surface active ingredients used in detergents, and the synthetic fibers used in textiles.

In the year ahead, families will need information on how their consuming activities relate to petroleum and to the total energy picture. As they look for ways of reducing their energy consumption, they will need guidance materials on careful selection and use of household equipment and automobiles, and on energy-saving improvements to housing. They will need to be aware of the possibility of shortages and the need for better management. They will need to rework the total family budget as they adjust to rising prices and changing consumption needs.

## RECOMMENDED READING

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

- . ELEVEN WAYS TO REDUCE ENERGY CONSUMPTION AND INCREASE COMFORT IN HOUSEHOLD COOLING. 1972. Stock Number 0303-0876. 30 cents.
- . ENERGY AND THE ENVIRONMENT--ELECTRIC POWER. 1973. Stock Number 4111-00019. 85 cents.
- . SEVEN WAYS TO REDUCE FUEL CONSUMPTION IN HOUSEHOLD HEATING THROUGH ENERGY CONSERVATION. 1972. Stock Number 0303-01086. 35 cents.
- . THE POTENTIAL FOR ENERGY CONSERVATION, A STAFF STUDY. 1972. Stock Number 4102-00009. \$3.00. (Technical report)

Single copies available free after January 15, 1974 from Public Affairs Office, Federal Highway Administration, U.S. Department of Transportation.

- . THE EFFECT OF SPEED ON AUTOMOBILE GASOLINE CONSUMPTION RATES. 1973.

Single copies available free after February 1, 1974 from Circulation Branch, Office of Public Affairs, U.S. Environmental Protection Agency, Washington, D.C. 20460.

- . A REPORT ON AUTOMOTIVE FUEL ECONOMY. 1973. (Technical report)
- . 1974 GAS MILEAGE GUIDE FOR CAR BUYERS: Fuel Economy Test Results for Automobiles and Light Duty Trucks. 1973. (Nontechnical report)

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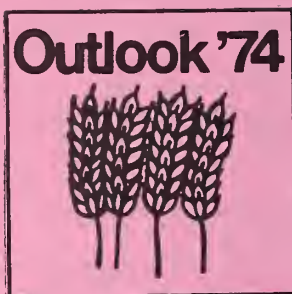
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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR FEED

Talk by James J. Naive

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 2:05 P.M., Tuesday, December 18, 1973

A tight supply and demand situation dominates the outlook for feed grains. The supply for 1973/74 totals 240 million tons, 4% below 1972/73. Production, forecast at 207 million tons, is 7 million more than last year, but carryover of old grain into the marketing year was down a third to 32 million tons. Less than 11 million tons of the carryover was under loan or owned by CCC, lowest in 2 decades, and "free" carryover stocks were larger for the first time in that period.

A further decline in carryover is likely at the end of 1973/74. Total disappearance, projected at 212 million tons, will exceed production. Domestic use may not quite match last year's 173 million tons if high feed grain costs and larger protein supplies reduce feeding rates for feed grains and offset an expected 2% increase in livestock numbers. Foreign demand, projected at 40 million (short) tons, continues exceptionally strong. In the past 5 years, the growth in world feed grain production has lagged world demand, leading to rising exports and prices. Larger feed grain crops in 1974/75 would soften prices, help keep countries with limited purchasing power in world grain markets, and provide increased assurance of food security.

Last year's grain export boom was triggered by short 1972 food and feed crops around the world. But despite a record 1973 world grain crop, world grain demand continues exceptionally strong in 1973/74.

With world population growing at the rate of 75 million people annually, the demand for food and fiber also continues to grow. Diets in many countries are improving and this means more animal protein. Feed grain disappearance increased at an average rate of 19 million metric tons annually





during 1968-72. World production, while fluctuating, during this period increased at an average annual rate of 12 million tons. In years when production fell, large carryover stocks were available to meet consumption requirements. This was the case in 1972/73, when increased imports reduced carryover stocks of exporting countries to low levels.

World feed grain production in 1973 is estimated to increase 30 million metric tons to a record 582 million metric tons. This increase exceeds the 18-million-ton projected increase in consumption, but reduced carryover stocks are offsetting. The net result is an increase in supply about equal to the expected increased consumption. This implies that the rate of consumption in 1974/75 would again hinge almost entirely on 1974 production, as world reserve stocks would be too low to permit expanded consumption in the event of a short crop. If world production in 1974 only increases by the normal additional consumption requirements, the feed grain situation would continue tight through 1974/75. If world production increases moderately more than the 20 million tons, there would be some recovery in stocks, which since 1969/70 have declined relative to the expanding requirements. Small stocks contribute to the wide swings in market prices.

U.S. feed grain production in 1974 is projected to reach 228 million tons, 10% above the record 1973 output. This assumes that almost 5 million more acres will be planted in 1974 in response to strong prices this year and takes into account the lifting of all planting restrictions in the 1974 feed grain program. It also assumes there will be no serious disruptions in fuel, fertilizer, and agricultural chemical supplies, and that yields will continue about on trend. Good weather this fall permitted farmers to return to their usual practice of preparing seedbeds and top dressing fertilizer following the fall harvests.

A 9½-million-ton or 5% increase is projected for domestic use during 1974/75. Grain-consuming animal units, especially cattle and poultry, may expand by as much as 2½% and feeding rates are assumed to resume the long-term uptrend.

If 1974 crops around the world are large as expected, U.S. exports in 1974/75 would back off from the phenomenal volumes of 1972/73 and 1973/74. Total disappearance of U.S. feed grains, placed at 218 million tons, would be less than projected production providing some buildup in the 1975 carryover stocks from the low levels in 1973 and 1974. In this setting, feed grain prices would likely average below the high levels expected in 1973/74 but still well above the levels at the turn of the decade.

### Corn

The corn supply for 1973/74 totals 6.4 billion bushels, 4% less than last year's record supply. Record production, estimated (November) at 5.7 billion bushels, is 2% more than in 1972. The October 1 carryover, however, fell from 1.1 billion bushels in 1972 to 0.7 billion in 1973, a drop of 37% and more than offset the record crop. Corn yields averaged around 92 bushels

per acre, down about 5 bushels from last year's record. Following completion of the rain-delayed planting season, weather was generally favorable to the crop. But plant population per acre for 11 Midwest States was down 3% compared to a 6% increase in 1972. This plus the lateness of planting contributed to the lower yield.

The area planted to corn totaled about 71 million acres,  $4\frac{1}{2}$  million more than in 1972 but below earlier expectations. The prolonged wet weather at planting time caused some growers to shift to soybeans which can be planted later than corn. With the strong demand, the corn supply is the tightest of all the feed grains.

There are more than the usual uncertainties in forecasting domestic use for 1973/74. An examination of the 3 previous seasons provides some clues:

	1970/71	1971/72	1972/73
Domestic use, bil. bu.	4.0	4.4	4.7
Supply, bil. bu.	5.2	6.3	6.7
Farm price, \$/bu.	1.33	1.08	1.60
GCAU's, mil.	117.5	117.0	115.6
Feed grains fed per			
GCAU, tons	1.18	1.27	1.34
Crop quality	good	good	wet
Meat and poultry production,			
% change	+6	-1	-4
Protein feed, % change	0	0	-7
Hog-corn price ratio	12.8	21.5	22.4

In 1970/71, domestic use dropped 5% but this was consistent with the smaller supply, higher prices, and a drop in livestock and poultry feed-price ratios. For example, the hog-corn price ratio fell from 20.8 to 12.8, egg-feed price from 9.9 to 7.4. Feed disappearance per GCAU fell 5%.

In 1971/72, domestic use increased 4% and was about on the long-term trend. Supplies up 22%, were record large and prices dropped sharply to a season average of \$1.08 a bushel. Livestock-feed price ratios recovered to favorable feeding levels but poultry-feed price ratios remained below average because of depressed poultry prices. For the second consecutive year there was no change in the amount of protein fed. The feeding rate for feed grains surged to a new peak of 1.27 tons per GCAU.

In 1972/73, domestic use increased 7%, ending up about 200 million bushels above trend. The larger supply, the lower quality of the crop, sharply reduced protein feed supplies, and the ban on DES (diethylstilbestrol) in cattle and sheep rations apparently more than offset effects of higher prices, and a decline in GCAU's (especially hogs and poultry). Feeding rates soared again (to 1.34 tons per GCAU), but meat output fell 4%.

In 1973/74, domestic use of corn may drop slightly below the 4.7 billion



bushels consumed in 1972/73. Supplies are down 4% and are very tight. Prices are estimated the highest since the short supply in 1947/48, which should have a tempering effect on consumption. Some feeders are now using approved substitutes for DES and the absence of DES may have less impact in 1974. Another important factor will be increased availabilities of protein feed at lower prices than in 1972/73. This may result in some switching back to protein feed for least-cost rations. Urea, a major competitor to oilseed meal for feeding cattle and sheep, may be in tight supply and prices much higher than in 1972/73 because of the demand for fertilizer by crop producers. GCAU's are forecasted to increase 2% to 118 million.

Domestic use of corn in the October-December quarter, the heaviest feeding period, was extremely heavy during the past 2 years, increasing 17% in 1971 and 11% in 1972. Livestock and poultry numbers on farms around the first of October 1973 were not materially different from a year ago. With prospects for a lower feeding rate, domestic use of corn in October-December 1973 could fall by as much as 100 million bushels to around 1.5 billion.

Corn exports during 1972/73 surged to a record 1,258 million bushels, far surpassing the previous peak of 796 million in 1971/72. Exports to Japan more than doubled and accounted for one-third of the increase in the export total; exports to the European Community were a third larger and accounted for almost one-fourth of the increase. Exports for the first time to the People's Republic of China in 1972/73 accounted for about one-tenth of the export increase.

Estimated 1973/74 domestic use plus exports gives a corn disappearance of 5.8 billion bushels, 3% below last year but somewhat more than the 1973 crop. This would mean an even smaller carryover next October, now estimated around 10% below this year's 707 million.

With supplies tight relative to strong export and domestic demands, corn prices likely will be high at least until spring. At that time, the price situation will depend on 1974 acreage prospects here and around the world and will be sensitive to weather. Export prospects will continue to be the major demand factor causing changes in grain prices. The quarterly stocks reports provide check points on domestic use. Weekly reports of inspections for export and the weekly export bookings reports which show anticipated export sales provide information on export demand.

The October-March export movement of corn may be heavier than the 558 million bushels shipped in that period of 1972/73. As a hedge against a possible short world feed grain crop in 1974, countries that have bought corn may want to take possession of it as fast as their storage and transportation facilities will permit. This situation would have a bullish impact on prices.

Chicago corn prices strengthened in November and in early December were



around \$2.65. During October-March 1972/73, Chicago monthly prices averaged \$1.50 per bushel and the farm price averaged \$1.32. Prices in October-March 1973/74 could average as much as \$1.00 above those of a year ago.

### Grain Sorghum

Grain sorghum supplies in 1973/74 of 1,044 million bushels will be up 8%, the largest in 5 years. Carryin stocks of 73 million bushels on October 1 were the lowest since 1954, but the 1973 crop, forecast at 971 million bushels on November 1, is record large.

The increase in the 1973 grain sorghum crop was due to both more harvested acreage and to higher yields. Harvested acreage of 15.9 million acres was up 17% and the yield per acre was a record 61.2 bushels, up  $\frac{1}{2}$  bushel.

Grain sorghum supplies for 1973/74 are large enough to permit an increase over 1972/73 in domestic use and to maintain a high level of exports. Domestic usage for feed probably will be larger in 1973/74, by perhaps about 10%, because of increases in livestock numbers, particularly cattle, and continued limited feeding of wheat. Although grain sorghum exports will continue very large, they may not quite match the 212 million bushels exported in 1972/73. As a result, carryover stocks next October 1 are expected to recover to a somewhat higher level of around 100 million bushels.

With demand for feed grains continuing strong, prices of grain sorghum are expected to average higher than in 1972/73. Differentials above a year earlier are expected to be largest in the first half of the marketing year. Prices in the second half will be affected by prospects for the 1974 sorghum crop, now projected almost as large as the 1973 record, as well as prospects for other grain crops.

### Oats

Oat production was 664 million bushels in 1973, 4% less than the small 1972 crop. More acres were harvested, 14.1 million compared with 13.5 million in 1972, but yields were down 4.2 bushels, averaging 47.0 bushels per acre.

In 1973/74, domestic use is projected at 746 million bushels, 54 million below 1972/73. In July-September, the first quarter of the marketing year, domestic disappearance totaled 214 million bushels, down around 30% from a year earlier. Exports for 1973/74 are projected at 40 million bushels, up from 24 million. Larger exports anticipated to the European Community, Eastern Europe and other West Europe account for most of the increase.

Oat prices have generally moved up this year, but did not rise relatively as much as corn prices. Oat prices likely will average higher again in 1973/74, reflecting the stronger tone in feed grain prices this year.

## Barley

The 1973/74 barley supply is 602 million bushels, down 2% from the 1972/73 supply of 612 million bushels. Carryin stocks of 163 million bushels on July 1 were slightly smaller than a year earlier but this was partially offset by a 1973 crop of 424 million bushels, 1 million more than in 1972.

Domestic use of barley in 1973/74 is projected at 383 million bushels, the same as in 1972/73 when 145 million bushels were used for food, industry, and seed and 238 million bushels were fed. Exports are expected to increase again to about 80 million bushels, up from 66 million in 1972/73 and largest since 1961/62. Large increases are expected in exports to the Economic Community, other Western Europe, and Eastern Europe. In the first 4 months of the 1973/74 barley marketing year, (July-October), exports totaled about 36 million bushels, about 2½ times year earlier levels.

Barley prices are expected to continue strong over the next few months along with other feed grain prices and to average higher than in 1972/73. The unusually strong export demand has been a strong influence to recent strength in prices.

## High-Protein Feeds

Following the memorable 1972/73 season of hard-to-get supplies and sky high prices, the demand for high protein feeds in 1973/74 may not increase for the first time in several years despite larger supplies of soybean meal and lower price prospects. Livestock feeders who were unable to acquire adequate supplies for optimum least-cost rations in 1972/73 adjusted their feeding program by using more non-protein nitrogen, reducing protein content of rations and in some cases omitting protein-feed concentrates entirely when good quality grain and roughage were available. As a result, feeders may be a little slow in moving back to high-protein feed markets even at prices substantially below the high levels through most of 1972/73.

Domestic usage of protein feed (soybean meal equivalent excluding urea) in 1973/74 is forecast at 19.7 million tons, 6% above last season which was the smallest volume in 6 years. High-protein animal units (HPAU's) are forecast at 143 million, 3% above 1972/73, the sharpest gain since 1966/67. Coupling the protein feed supply with the HPAU's, gives a feed disappearance of 276 pounds per animal unit, 8 pounds more than in 1972/73 but still well below the 285-292 pounds during 1969-71.

Short world supplies of protein at a time of unprecedented demand made 1972/73 a year that will be long remembered in the feed industry. After a history of \$60 to \$80 per ton prices, soybean meal (44% protein) rose to \$450 per ton at Decatur on June 5 before export controls were invoked. At times, day-to-day price changes of \$30-\$40 were common. In earlier years, a \$10 monthly price movement was considered sizable. Prices in 1972/73

started out around \$109 per ton, eventually reaching the \$450 peak in June before declining to \$200 in September and averaging nearly \$230 for the year. In early December, prices were around \$180. With the much larger supplies available for domestic and export use, and a rise predicted in the soybean carryover next September (estimated at 225 million bushels), meal prices should average well below last year. However, prices will continue to be sensitive to market demand and crop prospects in 1974.

Even with the large soybean crop, demand for soybean meal in 1973/74 probably will be a bit slow, at least through the winter. Supplies may total about 19 million tons, or 12% above 1972/73. Exports in 1973/74 are forecast at 5.7 million tons, about a fifth more. However, domestic consumption may only increase about 8% to around 13 million tons, despite lower price prospects and expanding HPAU's, and a continuation of world shortage of fish meal supplies.

Soybean acreage in 1973 was much larger than anticipated by many observers, as the wet spring and zooming prices caused some shifting from corn and cotton to beans. With normal weather next spring there may be some shifting back to corn, cotton, and rice, if current price relationships hold. But on the other side of the coin, with current high prices, there is the incentive for farmers who are able to double-crop to winter grain with soybeans. Should a fertilizer crunch occur (especially nitrogen), growers would tend to lean to more bean acreage.

There are some signs that the decline in fish meal supplies during the past 2 years may be coming to an end. But recovery to normal levels of world supply will be slow and it does not appear that fish meal production in the 1970's will be able to attain the growth of the 1960's. This suggests that increases in high-protein feed supplies will be dependent mainly on increases in soybean meal production.

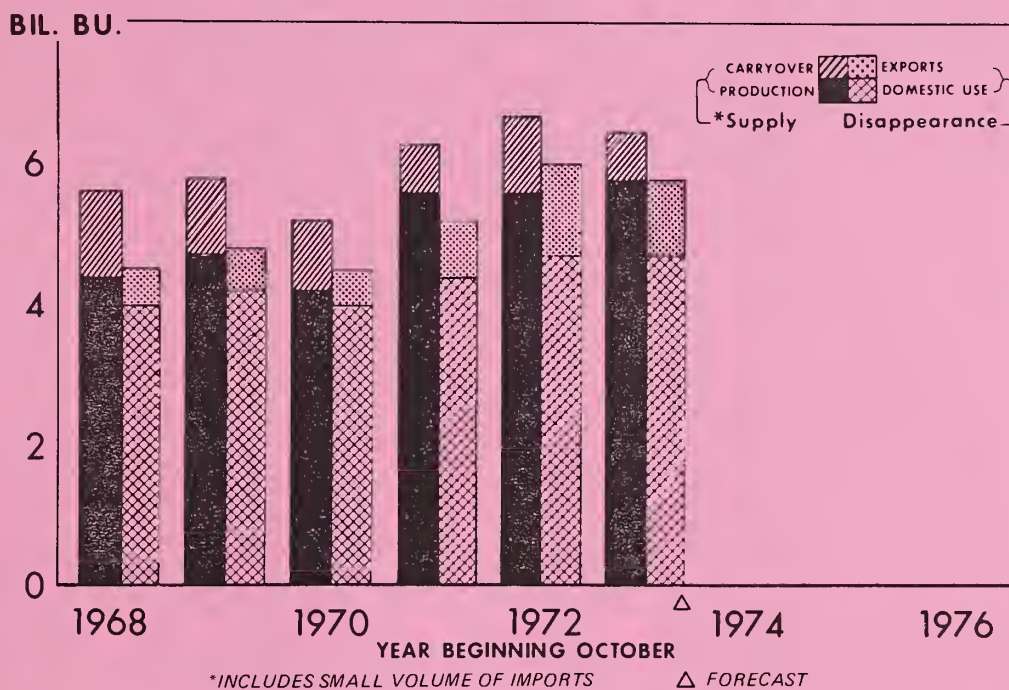
Recent shortages of fish meal supplies have resulted principally from sharp reductions in the Peruvian anchovy catch, which provides a substantial part of world fish meal supplies. But there have also been declines in catches for fish meal production in some other countries that account for most of the other world supplies. The menhaden catch in the United States is below normal, the anchovy catch in Chile is down, and Norway, South Africa, and Denmark have restricted catches and have not been able to increase their output.

There are some hopeful signs that ecological conditions have improved and will make it possible for anchovy fishing to resume in Peru. Water temperature, plankton growth, and other conditions are reported to be normal, and the fish appear to have spawned. But even if fishing resumes in Peru, full recovery is not expected in 1974.

Fish meal prices reached the high monthly average in June of \$595 per ton (East Coast ports) but averaged \$416 in October, compared with \$218 a year earlier. In early December, prices rose to \$550.



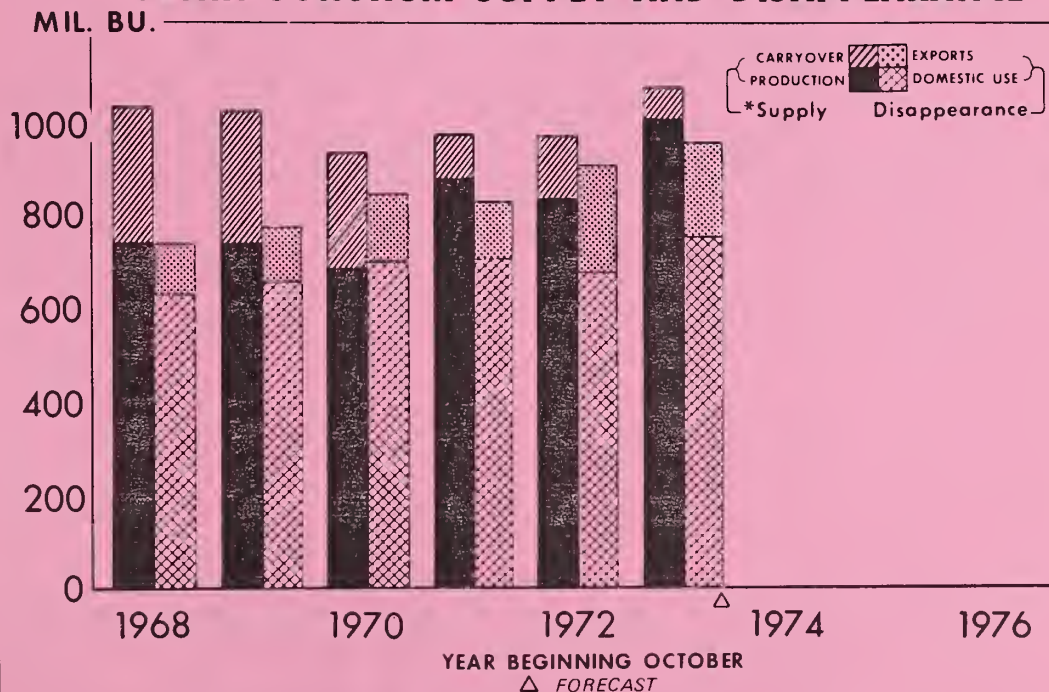
## CORN SUPPLY AND DISAPPEARANCE



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## GRAIN SORGHUM SUPPLY AND DISAPPEARANCE



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Table 2.--Feed Grains: World Supply, Distribution and U.S. Corn Price

(Corn, sorghum, oats, barley and rye)

Years	Production			Beginning		World supply		Consumption		Exports, July-June		Corn price Gulf Ports Oct.-Sept. Dol. per met. ton
	USA	Traditional: exporting countries 1/	Importing: countries	World	stocks 2/	World	supply	World	Importing: countries	World	USA	
1960/61	141	224	183	407	86	493		397	206	27	12	---
1961/62	127	209	179	388	96	484		402	206	34	15	48
1962/63	129	215	190	405	82	487		409	214	33	15	53
1963/64	140	217	197	414	78	492		408	228	37	16	55
1964/65	122	211	202	413	84	497		428	231	39	18	56
1965/66	143	224	205	431	70	501		441	246	49	26	56
1966/67	144	243	217	460	60	520		460	250	45	22	57
1967/68	162	252	232	484	59	543		469	260	46	20	48
1968/69	155	255	233	488	73	561		486	266	41	16	51
1969/70	161	273	238	511	76	587		513	276	48	19	56
1970/71	145	270	237	507	74	581		522	283	54	19	61
1971/72	188	309	254	563	59	622		547	294	53	21	53
1972/73 prel.	181	296	249	545	74	619		563	306	70	36	85
1973/74 forecast	188	331	251	582	56	638		581	311	68	38	3/106
1974/75 projected	207				57							

1/ USA, Canada, Australia, Argentina, South Africa, Thailand, France, USSR.

2/ Selected countries; excludes USSR, The Peoples Republic of China and parts of Europe which data are not available; stocks are beginning of marketing years for countries included.

3/ October 1973.

Table 3 .--Corn exports (grain only)  
(Year beginning October)

Destination	1971/72	1972/73 (Prelim.)	1973/74		Total
			Inspected for export (October)	Bookings thru. Nov. 4 1/	
<u>Million bushels</u>					
European Community	311	418	20	312	332
Other West Europe	68	112	12	69	81
East Europe	49	29	3	58	61
USSR	115	132	19	127	146
Japan	110	262	17	248	265
Republic of China (Taiwan)	9	20	3	8	11
Peoples Republic of China	0	48	7	93	100
India	1	*	0	0	0
Other Asia	27	49	2	22	24
Africa	15	13	1	1	2
Western Hemisphere	70	114	6	19	25
Subtotal	775	1,197	90	957	1,047
Other	11	45	1	2/205	206
Grand Total	786	1,242	91	1,162	1,253

1/ Based on undelivered reported sales. 2/ Unidentified; probably includes substantial "double counting" because of sales to buyers who have purchased for resale. \* Less than 500 thousand bushels.

Table 4 .--Feed grain exports for 1973/74 1/

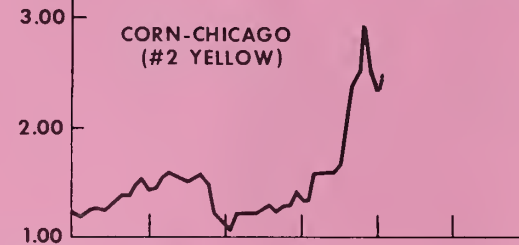
Grain	Unit	Exports bookings thru:				USDA Forecast
		Exported thru. October 2/	Identified destina- tion	Unidenti- fied destina- tion	Total, and booked for export	
Corn	Mil. bu.	92	957	205	1,253	1,125
Grain sorghum	"	14	165	35	214	200
Oats	"	26	17	9	52	40
Barley	"	36	45	26	107	80
Total	Mil. tons	4.2	32.8	7.5	44.5	39.7

1/ Marketing year beginning October for corn and sorghum; July for Oats and barley.

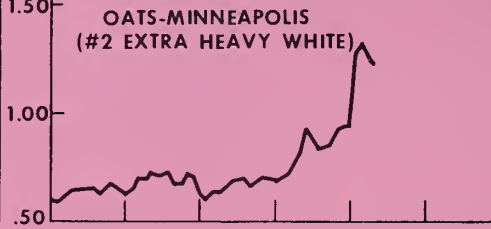
2/ Includes grain equivalent of products; based on inspections for export.

# FEED GRAIN MARKET PRICES

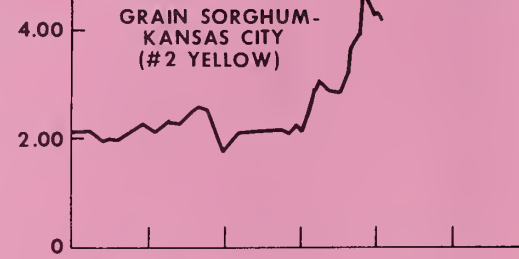
\$ PER BU.



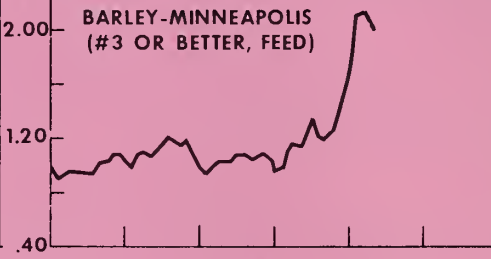
\$ PER BU.



\$ PER CWT



\$ PER BU.



1969 1971 1973

1969 1971 1973

MARKETING YEAR Δ

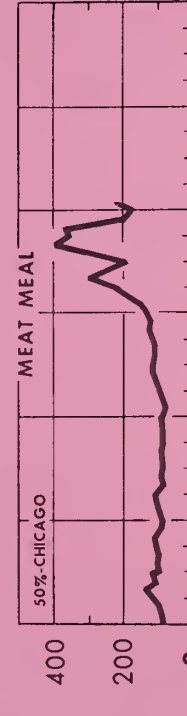
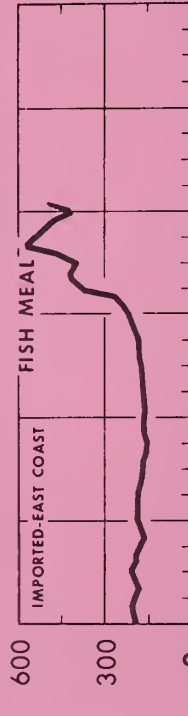
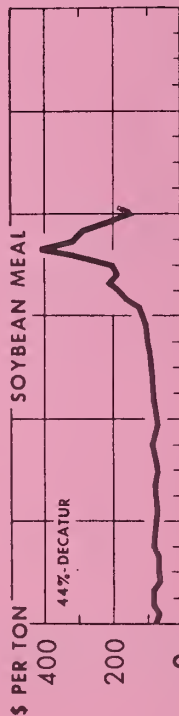
Δ BEGINNING OCT. 1 FOR CORN AND GRAIN SORGHUM; JULY 1 FOR OATS AND BARLEY

SOURCE: GRAIN MARKET NEWS, AMS

U.S. DEPARTMENT OF AGRICULTURE

NEG ERS 383-73(11) ECONOMIC RESEARCH SERVICE

## HIGH-PROTEIN FEED PRICES



1969 1970 1971 1972 1973 1974

YEAR BEGINNING OCTOBER

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 253-73(11) ECONOMIC RESEARCH SERVICE

# Outlook '74



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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service  
~~CURRENT POLICY RECORDS~~

## OUTLOOK FOR DAIRY

Talk by Robert R. Miller  
Commodity Economic Division

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 3:30 P.M., Tuesday, December 18, 1973

Milk output will likely total about  $116\frac{1}{2}$  billion pounds this year, some 3 percent below 1972's 120.3 billion pounds, and the first drop in 3 years. The rate of decline has accelerated this year from around 1 percent in January and February to a 4.7 percent drop in October. High feed prices together with strong slaughter cow prices have been the primary causes for reduced production. Reduced milk production this year has been generally widespread across the country.

Lower milk output per cow, the first decline in almost 30 years, is accounting for a large part of this year's drop in milk production. High prices have limited the use of protein supplement and prevented increases in grain feeding rates. Dairy farmers have achieved 3 percent annual average gains in output per cow during the past decade in the most part by increasing grain and concentrate feeding around  $5\frac{1}{2}$  percent per year.

The decline in milk cow numbers has accelerated this year, reaching 3 percent in October, the sharpest drop since early 1970. Entering 1973, cow numbers were falling at a 1 percent annual rate. Expensive feeds accompanied by strong slaughter cow prices have caused heavy herd culling and more dairy farmers are calling it quits.

Feed costs for dairy farmers have increased tremendously this year with prices of soybean meal, our main protein feed, showing the largest gains. Although declining since their August highs, feed grain and concentrate prices are still relatively high. Dairy ration (16 percent protein) cost farmers \$124 per ton in November, about 46 percent above a year ago. With supplies tight relative to expected demand, feed prices are likely to remain strong in coming months. However, feed prices may moderate later in 1974 if the larger expected crop acreage is accompanied by normal weather next year and there is no further surge in foreign demand.

With feed prices increasing more than milk prices, the milk-feed price



ratio (pounds of feed equal in value to 1 pound of milk) dropped to 1.18 by August, the lowest since 1955. But higher milk prices and somewhat lower feed prices have improved milk-feed price relationships since the summer low. The November ratio at 1.60 was still below the year-earlier level of 1.75.

Milk production may show a further but smaller decline in 1974, with most of the drop in the first half. Output could be well below a year ago through the winter season as feed and slaughter cow prices are likely to remain strong. Dairy herd culling will probably continue heavy this winter. Milk-feed price relationships should progressively improve later next year with moderating feed prices and higher milk prices. Milk output per cow may resume its upward climb next year, but the increase probably will only partly offset the expected drop in milk cow numbers.

Farm milk prices took a sharp jump from July to November, reflecting the tight supply-demand situation for dairy products. In November, farmers received an average \$8.55 per 100 pounds for their milk, up 31 percent from a year earlier. Manufacturing prices were about \$1.80 over the \$5.61 support level. Bottling milk prices were being pushed up by the higher Minnesota-Wisconsin manufacturing milk price (the basic price used in calculating Class I prices in Federal order markets). The Minnesota-Wisconsin price rose 58 cents from September to \$7.49 in October, and increased to \$7.64 in November. These increases will be reflected in December and January Class I prices.

For 1973, farm milk prices will probably average about a dollar over 1972's \$6.07 per 100 pounds average. First half 1974 prices should continue showing strong gains over year-earlier levels.

Despite a drop in milk marketings, higher prices are pushing cash receipts from dairying to around \$8.1 billion in 1973, up from \$7.2 billion last year. Gross dairy incomes may be up some 12 percent this year. Meanwhile, prices paid by farmers for production items are increasing about a fifth. Increased prices will probably boost gross dairy income another 10-12 percent next year.

Wholesale prices of most dairy products increased sharply in August and September because of the tightened supply-demand situation, and retail dairy prices were soon following suit. However, wholesale butter prices at Chicago were at 72 cents per pound in early December compared with the September peak of 87 cents per pound. Wholesale prices of American cheese and nonfat dry milk increased in November after holding steady since early in October.

For all of 1973, retail dairy prices will likely average around 9 percent above the previous year, the sharpest rise since 1948. But this year's rise is still less than the increase in prices consumers are paying for all food products. During the first half of 1974, retail dairy prices will probably stay well above a year ago.

The output of most dairy products has been down this year because of reduced milk marketings by farmers. Production of butter and nonfat dry milk, the residual users of the milk supply, has been chiefly affected by the lower milk output. Butter output this year could be the smallest since 1920.

Higher retail prices are apparently taking their toll of dairy sales. After rising  $2\frac{1}{2}$  percent in January-August, commercial disappearance of milk in all dairy products dropped some 3 percent from a year earlier in September and October. Butter use showed the sharpest decline, but fluid milk sales were also falling. With retail butter prices rising to over a \$1.00 per pound, consumer sales resistance developed. Sales of cheese, frozen desserts, lowfat fluid milk, and nonfat dry milk should be up this year.

For all of 1973, dairy sales will likely be up somewhat from 1972 because of strong gains earlier this year. However, the expected fourth quarter sales drop may persist into next year, reflecting prospects for higher retail prices, more moderate gains in disposable incomes, a rising rate of unemployment, and a continued slowing of the economy.

Per capita civilian milk consumption this year may show a small gain from 1972's 561 pounds. Last year was the first time since 1955 that per capita use had increased. Larger imports of dairy products and drawing on stocks are partly offsetting this year's reduced domestic production. Per capita use may turn downward next year with lower commercial disappearance in prospect and less dairy products available for domestic donation.

USDA purchases of dairy products will probably total around 2.2 billion pounds milk equivalent this year, down from 5.4 billion pounds in 1972, and the least since 1966. Most of these purchases were made early this year in the form of butter. Since July, USDA has bought no dairy products under the price support program. Nonfat dry milk purchases may be the lowest since the early 1950's. Prospects for further declines in milk production indicate CCC will be buying little if any dairy products next year.

Dairy imports in January-October were equivalent to 1.6 billion pounds of milk, up about a fifth from 1972 levels. Increases in imports were mainly in nonfat dry milk and licensed cheeses reflecting temporary increases in the quotas. In 4 separate actions, an additional 265 million pounds of nonfat dry milk were allowed to enter. These authorizations were almost completely utilized. Cheese quotas were temporarily increased by 50 percent (about 64 million pounds), but only about three-fourths of the authorized increases were actually imported.

On November 1, President Nixon issued a proclamation which authorized additional imports of 56 million pounds of butter and 22.6 million pounds of butteroil on an emergency basis, all to be entered by December 31. These imports of butter and butteroil will be equivalent to about 1.8 billion pounds of milk.

U.S. dairy exports will continue small. Not only are U.S. supplies for export practically non-existent, but also milk production is increasing in Western Europe and their dairy stocks are again at high levels.



# DAIRY OUTLOOK CHARTS

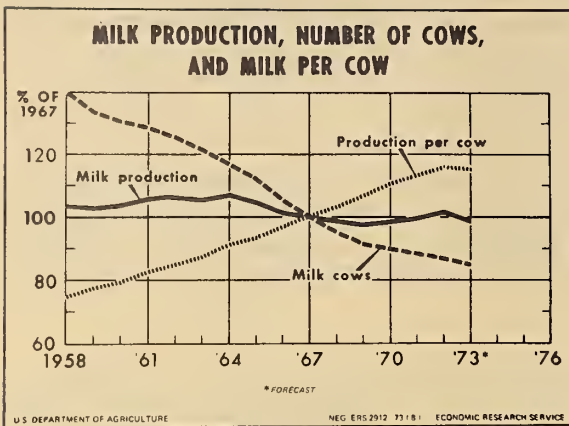


Figure 1

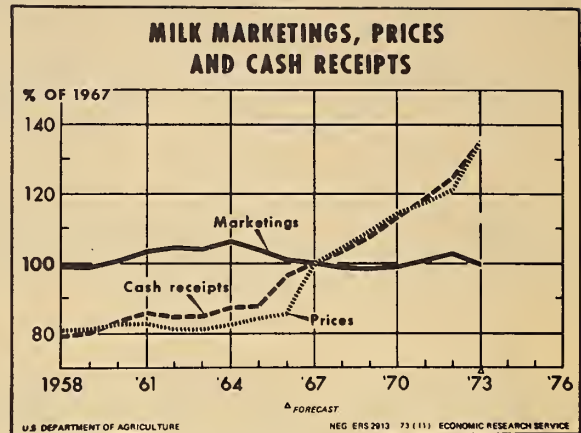


Figure 2

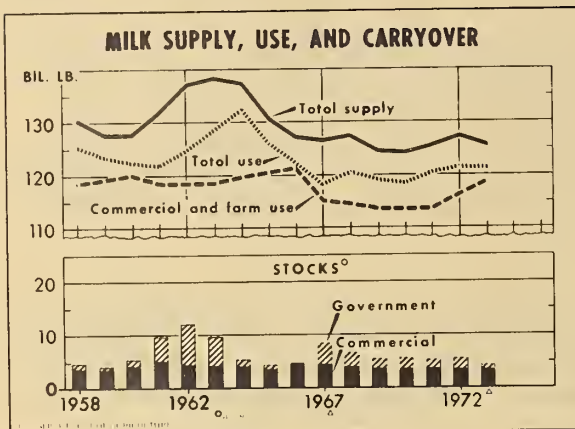


Figure 3

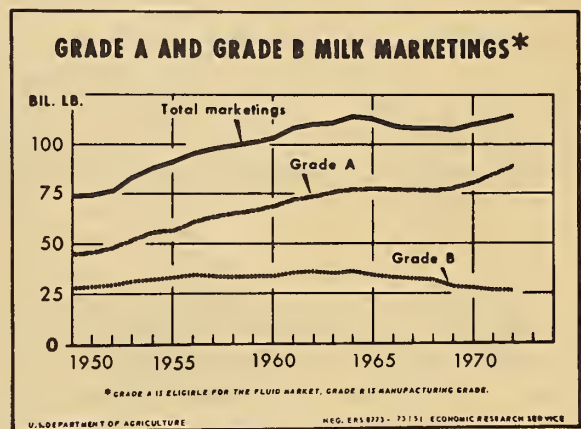


Figure 4

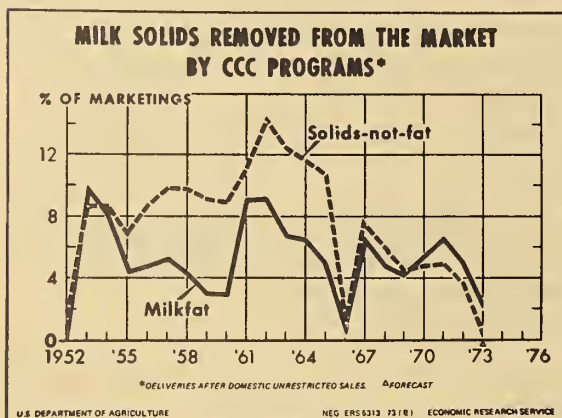


Figure 5

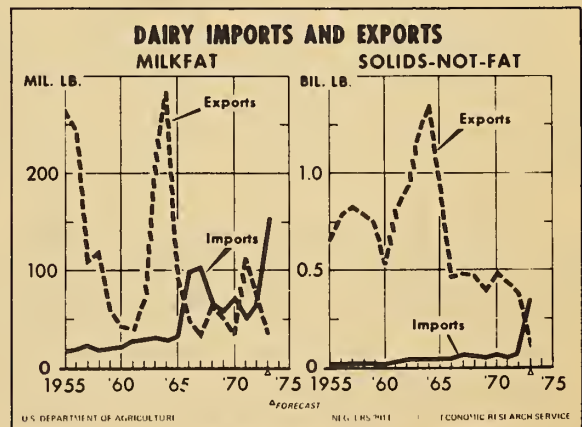


Figure 6

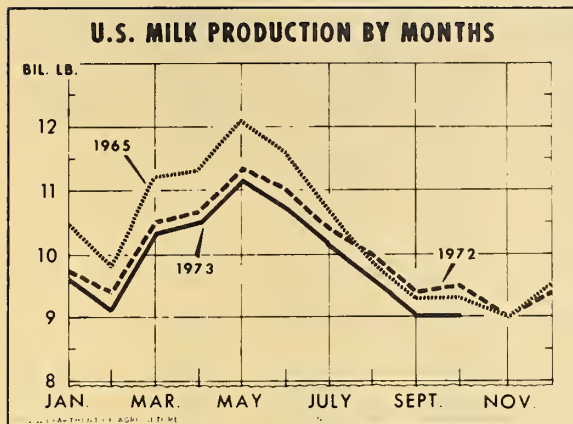


Figure 7

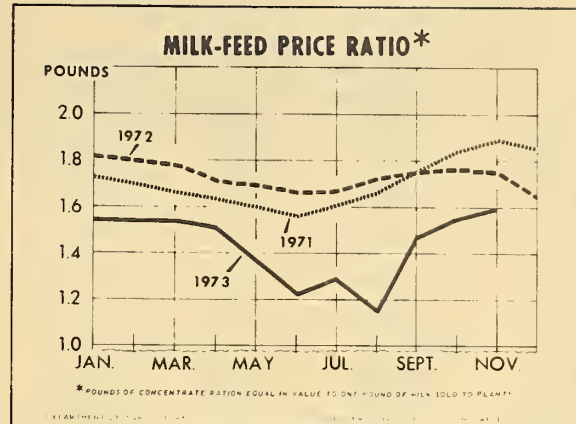


Figure 8

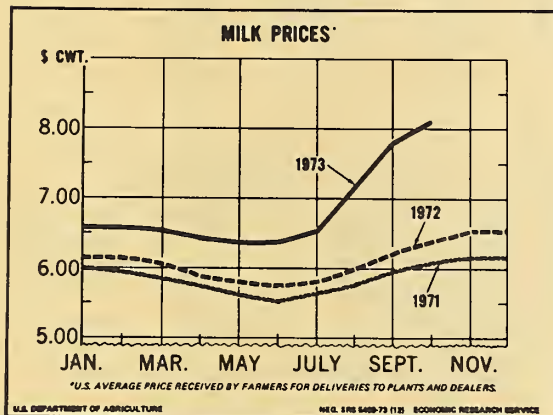


Figure 9



Figure 10

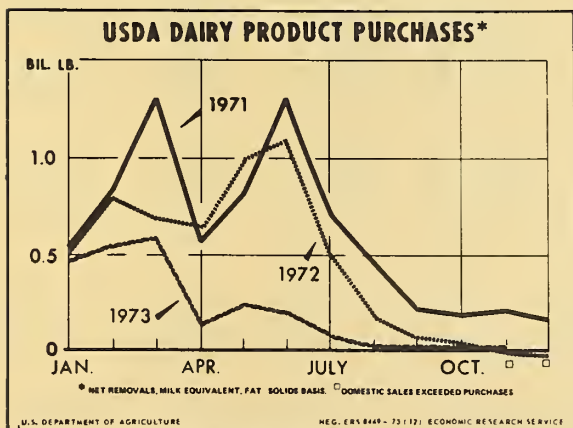


Figure 11

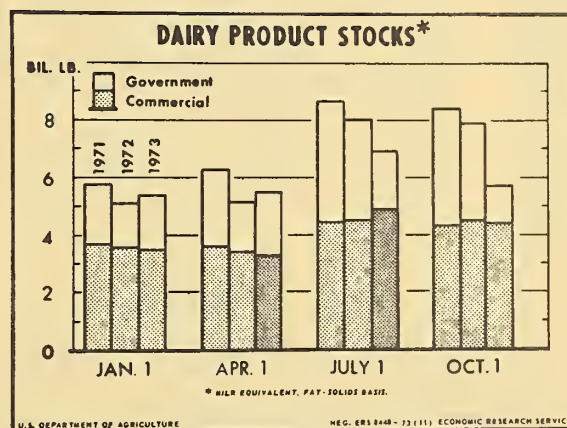


Figure 12



Table 1. --Milk production and factors affecting supply, United States, selected years, 1950-73

Year	Milk cattle on farms, January 1 1/			Milk cows on farms, average during year	Milk production		Prices received by farmers, 1967=100	
	Milk cows and heifers that have calved	Milk cow replace- ments; heifers 500 pounds and over			Per cow	Total	Dairy products	All farm products
	Total	Per 100 cows						
	Thou.	Thou.	No.	Thou.	Lb.	Mil. lb.		
1950	22,000	6,945	31.6	21,944	5,314	116,602	81	102
1955	21,320	6,832	32.0	21,044	5,842	122,945	81	91
1960	17,650	5,686	32.2	17,515	7,029	123,109	84	94
1965	15,380	4,780	31.1	14,953	8,305	124,180	85	98
1966	14,490	4,450	30.7	14,071	8,522	119,912	96	105
1967	13,725	4,215	30.7	13,415	8,851	118,732	100	100
1968	13,115	4,080	31.1	12,832	9,135	117,225	104	103
1969	12,550	3,990	31.8	12,307	9,434	116,108	109	108
1970	12,091	3,880	32.1	12,000	9,747	116,962	113	110
1971	11,909	3,843	32.3	11,842	10,009	118,532	116	112
1972 2/	11,778	3,828	32.5	11,710	10,271	120,278	120	126
1973 2/	11,651	3,875	33.3	11,420	10,200	116,500	138	172
	Average prices received by farmers per 100 pounds				Parity prices per 100 pounds 3/			
All milk, whole-sale	Milk, eligible for fluid market	Milk, manufac- turing grade	Bottling milk 4/	Milkfat in cream 5/	All milk, whole-sale	Milkfat in cream 5/	Equivalent for manu- facturing milk	
	Dol.	Dol.	Dol.	Dol.	Ct.	Dol.	Ct.	Dol.
1950	3.89	4.36	3.16	4.86	62.0	4.32	69.2	3.82
1955	4.01	4.50	3.15	5.18	57.8	4.71	74.1	3.94
1960	4.21	4.69	3.25	5.48	60.5	5.01	74.1	4.01
1965	4.23	4.63	3.34	5.39	61.1	5.53	79.2	4.31
1966	4.81	5.17	3.97	5.82	67.2	5.73	82.1	4.47
1967	5.02	5.43	4.06	6.20	68.2	5.88	84.0	4.62
1968	5.24	5.67	4.22	6.50	68.4	6.06	86.1	4.79
1969	5.49	5.87	4.45	6.70	68.9	6.49	91.5	5.15
1970	5.71	6.05	4.70	6.94	70.0	6.87	95.3	5.49
1971	5.87	6.19	4.86	7.12	69.1	7.21	99.1	5.79
1972 2/	6.07	6.38	5.08	7.26	67.5	7.70	103.0	6.21
1973 2/	7.15	7.45	6.20	---	68.5	8.64	113.0	7.01

1/ Prior to 1965, estimated by Livestock Section, ERS.

2/ Preliminary.

3/ At beginning of marketing year.

4/ Dealers' average buying price for milk used in fluid products.

5/ Cents per pound.

Table 2.--Dairy: Feed costs, milk cow and other livestock prices, milk-livestock price ratios, and feed consumed, United States, selected years, 1950-73

Year	Dairy ration cost		Milk cow cost		Livestock prices and milk-livestock price ratios			
	Value	Milk-	Price	Milk	Beef-	Manufac-	Hog	Manufac-
	per	feed	received	required	cattle	turing	price	turing
	100	price	per	to buy	price	milk-beef	price	milk-hog
	pounds	ratio	per head	a cow	per 100 pounds	price ratio	per 100 pounds	price ratio
	Dol.	Lb.	Dol.	Cwt.	Dol.	Lb.	Dol.	Lb.
1950	3.16	1.24	198	51	23.30	0.14	18.00	0.18
1955	3.16	1.28	146	36	15.60	.20	15.00	.21
1960	2.92	1.45	223	53	20.40	.16	15.40	.21
1961	2.92	1.45	224	53	20.20	.17	16.60	.20
1962	2.95	1.40	221	54	21.30	.15	16.30	.20
1963	3.04	1.36	215	52	19.90	.16	14.90	.22
1964	3.03	1.38	209	50	18.00	.18	14.80	.22
1965	3.03	1.40	212	50	19.80	.17	20.80	.17
1966	3.15	1.53	246	51	22.20	.18	23.00	.18
1967	3.23	1.56	260	52	22.20	.18	19.00	.22
1968	3.10	1.70	274	52	23.40	.18	18.70	.23
1969	3.15	1.75	300	55	26.20	.17	22.90	.20
1970	3.28	1.74	332	58	27.10	.17	21.90	.22
1971	3.44	1.70	358	61	29.00	.17	17.50	.27
1972 1/	3.52	1.73	397	65	33.50	.15	25.10	.20
1973 2/	4.94	1.45	495	69	43.00	.14	39.50	.16
	Grain and other concentrates			Dairy	Alfalfa		Quantity fed per	
	fed to milk cows			pasture	hay prices		cow, winter feeding	
	Total	Per	Per 100	feed	Received	Paid		Total
	fed	cow	pounds	condition,	by	by		hay
	4/	4/	of milk	as percent	farmers	farmers	Hay	Silage
			produced	of normal	per	per		equiv-
			5/		ton	ton		alent
	Thou. tons	Lb.	Lb.	Pct.	Dol.	Dol.	Tons	Tons
1950	18,516	1,629	30.6	83	23.10	30.90	2.2	1.7
1955	18,664	1,758	30.1	77	22.00	33.70	2.2	2.2
1960	19,821	2,259	32.2	82	21.00	31.60	2.5	2.7
1961	20,916	2,404	33.2	84	21.00	30.90	2.5	2.6
1962	21,617	2,533	34.3	80	21.40	30.60	2.5	2.8
1963	21,858	2,646	35.1	73	23.50	32.90	2.4	2.8
1964	22,464	2,800	35.9	73	24.00	32.60	2.4	3.1
1965	22,827	2,953	36.7	80	24.00	33.00	2.4	3.2
1966	22,569	3,000	37.6	78	24.70	33.40	2.3	3.3
1967	22,790	3,374	38.3	80	23.60	34.08	2.4	3.5
1968	22,886	3,519	39.1	83	23.00	32.94	2.4	3.6
1969	23,615	3,726	40.7	82	23.90	34.08	2.4	3.9
1970	24,870	3,979	42.4	81	24.70	34.69	2.4	3.9
1971	25,107	4,070	42.4	78	27.10	37.57	2.4	4.9
1972 1/	25,162	4,298	41.9	81	31.45	40.15	Series discontinued	
1973 2/	24,725	4,330	42.5	84	41.80	51.80		

<sup>1/</sup> Preliminary. <sup>2/</sup> Estimated. <sup>3/</sup> In herds kept by dairy reporters. <sup>4/</sup> Not comparable to earlier years, beginning 1966. <sup>5/</sup> On farms where milk or cream was sold. Beginning 1966, data are for all farms where milk was produced.

Table 3.--Milk marketings and cash receipts, United States, selected years, 1950-73 <sup>1/</sup>

Year	Milk used on farms where produced	Milk marketed by farmers				Cash receipts from milk marketed by farmers			
		Sold to plants and dealers		Retailed by farmers as milk and cream	Total	Milk sold to plants and dealers	Cream sold to plants and dealers	Retailed by farmers	Total
		As whole milk	As farm separated cream						
		Billion pounds				Billion dollars			
1950	18.3	74.2	20.2	3.9	98.3	2.9	0.5	0.3	3.7
1955	14.6	91.0	14.7	2.7	108.3	3.6	.3	.3	4.2
1960	9.2	103.9	7.9	2.1	114.0	4.4	.2	.2	4.8
1965	6.0	112.7	3.7	1.8	118.2	4.8	.1	.2	5.0
1966	5.5	109.7	3.0	1.7	114.4	5.3	.1	.2	5.5
1967	5.2	109.4	2.4	1.8	113.6	5.5	.1	.2	5.7
1968	4.7	108.8	2.0	1.8	112.6	5.7	<sup>2/</sup>	.2	6.0
1969	4.3	108.5	1.6	1.7	111.8	6.0	<sup>2/</sup>	.2	6.2
1970	4.0	110.0	1.2	1.7	113.0	6.3	<sup>2/</sup>	.2	6.5
1971	3.7	112.2	1.0	1.6	114.8	6.6	<sup>2/</sup>	.2	6.8
1972 <sup>3/</sup>	3.5	114.4	.8	1.5	116.7	6.9	<sup>2/</sup>	.2	7.2
1973 <sup>4/</sup>	3.3	111.2	.6	1.4	113.2	7.9	<sup>2/</sup>	.2	8.1

<sup>1/</sup> Totals may not add due to rounding. <sup>2/</sup> Less than 50 million dollars. <sup>3/</sup> Preliminary. <sup>4/</sup> Estimated.

Table 4.--Utilization of milk supply, United States, selected years, 1950-73 <sup>1/</sup>

Year	Fluid	Creamery butter, net	Cheese			Evapo- rated	Dry whole milk	Frozen	Other	Total	Miscel-
			Ameri- can	Other	Creamed cottage	and con- densed whole milk		dairy pro- ducts, net	factory pro- ducts	factory pro- ducts 2/	laneous 3/
Billion pounds											
1950	42.4	27.8	9.0	2.9	4/	6.9	1.0	6.9	0.7	55.2	0.7
1955	49.1	28.0	10.1	3.5	4/	6.3	.8	8.2	1.2	58.0	1.2
1960	53.0	29.4	9.7	3.7	1.0	5.5	.7	9.5	.4	59.8	1.2
1965	55.4	28.5	11.5	4.3	1.0	4.6	.7	10.6	.6	61.8	1.2
1966	55.4	23.7	12.2	4.5	1.0	4.7	.7	10.5	.6	57.9	2.5
1967	54.0	26.1	12.7	4.5	1.0	4.0	.5	10.5	.3	59.8	1.2
1968	53.7	24.9	12.7	4.7	1.1	3.9	.6	11.0	.4	59.2	-.2
1969	52.8	23.7	12.7	4.9	1.2	3.9	.5	11.0	.4	58.3	1.0
1970	52.0	23.9	14.3	5.3	1.2	3.3	.5	11.1	.4	60.0	1.5
1971	51.8	23.9	15.1	5.8	1.3	3.2	.5	11.0	.7	61.6	1.6
1972 5/	52.3	22.8	16.3	6.4	1.3	3.1	.6	11.0	.8	62.3	2.3
1973 5/	51.8	18.9	16.3	6.7	1.4	2.9	.6	11.2	.7	58.7	3.5

<sup>1/</sup> Total supply includes milk marketed by farmers, net imports of ingredients such as frozen cream, "ice cream," and butterfat-sugar mixtures, and net change in storage cream.

<sup>2/</sup> May not add due to rounding.

<sup>3/</sup> Residual, including miscellaneous minor uses and any inaccuracies of independently determined use items.

<sup>4/</sup> Included in other factory products.

<sup>5/</sup> Preliminary.



and dairy products, United States, 1950-73 1/

Year	Total population July 1 (including Armed Forces overseas)	Total civilian employment	Per capita disposable income		Civilian per capita disappearance					
			Actual	Deflated by consumer price index	Milk equivalent		Milk solids		Margarine	
					Fat solids basis	Calcium content basis	Milk- fat	Solids- not- fat		
	Million	Million	Dollars	Dollars	Pounds	Pounds	Pounds	Pounds	Pounds	
1950	151.7	58.9	1,364	1,892	740	507	29.3	43.6	6.1	
1955	165.3	62.2	1,666	2,077	706	525	27.2	44.5	8.2	
1960	180.7	65.8	1,937	2,184	653	512	24.5	43.4	9.4	
1965	194.3	71.1	2,436	2,578	620	503	22.9	42.6	9.9	
1966	196.6	72.9	2,604	2,679	604	503	22.3	42.4	10.5	
1967	198.7	74.4	2,749	2,749	581	494	21.4	41.6	10.5	
1968	200.7	75.9	2,945	2,826	577	497	21.2	41.8	10.8	
1969	202.7	77.9	3,130	2,851	569	494	20.9	41.7	10.8	
1970	204.9	78.6	3,376	2,903	561	486	20.6	41.1	11.0	
1971	207.0	79.1	3,603	2,970	558	490	20.4	41.2	11.1	
1972 <u>2/</u>	208.8	81.7	3,816	3,045	561	490	20.7	40.9	11.2	
1973 <u>2/</u>	210.4	84.3	4,184	3,160	563	501	20.7	42.1	11.4	
Average retail prices, BLS index, 1967=100										
	Consumer price	All foods	Dairy prod- ucts	Fluid milk, grocery	Butter	Cheese, American process	Ice cream	Evapo- rated milk	Margarine, colored	
1950	72.1	74.5	72.6	71.9	83.4	65.0	102.9	71.9	100.0	
1955	80.2	81.6	80.2	81.1	81.5	72.4	98.5	77.6	93.7	
1960	88.7	88.0	88.4	91.1	86.7	76.2	100.7	89.7	88.6	
1965	94.5	94.4	90.0	90.3	89.4	85.5	95.4	89.7	97.2	
1966	97.2	99.1	95.8	96.1	97.3	95.8	97.6	94.2	99.7	
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
1968	104.2	103.6	103.3	104.1	100.8	102.1	99.8	102.0	98.6	
1969	109.8	108.9	106.7	107.0	102.1	107.7	100.5	105.2	98.3	
1970	116.3	114.9	111.8	111.6	104.5	115.6	104.8	111.9	106.0	
1971	121.3	118.4	115.3	114.6	105.8	121.0	106.2	118.6	116.0	
1972 <u>2/</u>	125.3	123.5	117.1	116.3	105.3	124.7	106.5	120.0	117.6	
1973 <u>2/</u>	132.4	140.6	127.2	126.1	111.7	137.1	112.6	133.2	133.8	

1/ Includes available data for Alaska and Hawaii beginning 1960.

2/ Preliminary.



Table 6.--Commercial disappearance: Total milk, annual and by quarters, 1971-73 <sup>1/</sup>

Item	1971	1972				Annual	1973 2/				Annual
		By quarters					By quarters				
		1st	2nd	3rd	4th		1st	2nd	3rd	Oct.	
						Billion pounds					
Production	118.5	29.6	32.9	29.9	27.8	120.3	29.0	32.3	28.7	9.0	
Farm use	3.8	.9	.9	.9	.9	3.6	.9	.9	.8	.3	
Marketings	114.7	28.7	32.0	29.0	26.9	116.7	28.1	31.4	27.9	8.7	
Beginning commercial stocks	3.7	3.6	3.4	4.5	4.5	3.6	3.5	3.2	4.9	4.5	
Imports	1.3	.5	.3	.4	.5	1.7	.4	.4	.5	.3	
Total supply	119.7	32.8	35.7	33.9	31.9	121.9	32.0	35.0	33.3	13.5	
Ending commercial stocks	3.6	3.4	4.5	4.5	3.5	3.5	3.2	4.9	4.5	4.2	
Net removals	7.3	2.0	2.8	.7	3/- .1	5.4	1.6	.5	.1	---	
Commercial disappearance Actual	108.9	27.4	28.4	28.7	28.6	113.0	27.2	29.7	28.6	9.4	
Percent change 4/	- .1	5/+6.0	+ .8	+2.8	+4.4	5/+3.4	5/+ .7	+4.5	+ .3	-2.5	

<sup>1/</sup> Milk equivalent, fat solids basis. Totals may not add due to rounding. <sup>2/</sup> Preliminary. <sup>3/</sup> Domestic sales exceeded purchases. <sup>4/</sup> From year earlier. <sup>5/</sup> On a daily average basis.

Table 7.--Milk equivalent: Domestic civilian disappearance, commercial and noncommercial sources, total and per capita, United States, 1950, 1955, 1960, and 1961-73

Year	Civilian disappearance						Consumption excluding donations from USDA supplies		
	Consumed on farms <u>1/</u>	USDA donations to civilian channels	National School Lunch and Special Milk Programs	Commercial sources	All sources	Total military utilization <u>2/</u>	Civilian	Military	Total
-----Million pounds-----									
1950	14,250	1,271	623	94,964	111,108	1,766	109,837	1,766	111,603
1955	11,359	3,102	1,394	98,697	114,552	3,329	111,450	2,627	114,077
1960	6,610	2,040	2,455	105,259	116,364	2,532	114,324	2,228	116,552
1965	3,913	3,593	3,215	107,978	118,699	2,819	115,106	2,387	117,493
1966	3,492	1,129	3,311	108,804	116,736	2,376	115,607	2,376	117,983
1967	3,152	3,113	3,338	103,812	113,415	2,117	110,302	2,117	112,419
1968	2,841	4,114	3,376	103,332	113,663	3,295	109,549	2,186	111,735
1969	2,570	4,545	3,435	102,682	113,232	2,696	108,687	2,051	110,738
1970	2,306	4,187	3,462	103,218	113,173	2,419	108,986	1,788	110,774
1971	2,099	4,526	3,494	103,757	113,876	2,031	109,350	1,608	110,958
1972 <u>3/</u>	1,929	3,946	3,500	106,525	115,900	1,804	111,954	1,386	113,340
1973 <u>3/</u>	1,730	2,646	3,500	109,375	117,251	1,412	114,605	1,247	115,852
-----Pounds-----									
Per capita civilian disappearance <u>4/</u>								Civilian consumption excluding donations from USDA supplies	
	Consumed on farms <u>1/</u>	USDA donations to civilian channels	National School Lunch and Special Milk Programs	Commercial sources	All sources				
1950	95		8		4	632	740		732
1955	70		19		9	608	706		687
1960	37		11		14	591	653		642
1965	20		19		17	564	620		601
1966	18		6		17	563	604		598
1967	16		16		17	532	581		565
1968	14		21		17	525	577		556
1969	13		23		17	516	569		546
1970	11		21		17	512	561		540
1971	10		22		17	508	558		536
1972 <u>3/</u>	9		19		17	516	561		542
1973 <u>3/</u>	8		13		17	526	563		551

1/ Milk and butter consumed in households on milk-producing farms, 1947-54; 1955 to date includes a small amount of farm-churned butter sold.

2/ Includes any quantities used by military in civilian feeding programs abroad.

3/ Preliminary.

4/ Aggregate in each category divided by total civilian population.

Table 8.--Milk and dairy products sales (domestic disappearance, commercial sources) total and per capita, selected years, United States, 1965-72 <sup>1/</sup>

Year	Fluid milk product sales					Butter	Cheese			Evaporated and condensed	
	Fluid whole milk	Cream <u>2/</u>	Low-fat milk <u>3/</u>	Total			Whole and part skim milk <u>5/</u>		Cottage cheese <u>6/</u>	Whole milk	Skimmed and butter-milk
				Product weight	Whole milk equivalent <u>4/</u>		Amer-ican	Other			
----- Million pounds -----											
Total											
1965	49,750	1,430	6,390	57,570	55,400	1,122	1,106	653	901	2,092	967
1968	47,785	1,255	9,400	58,440	53,700	986	1,204	794	928	1,735	948
1969	46,850	1,185	10,640	58,675	52,800	925	1,259	849	973	1,528	989
1970	45,875	1,130	11,525	58,530	52,000	902	1,393	892	1,044	1,349	1,016
1971	45,295	1,125	12,800	59,220	51,800	878	1,452	971	1,075	1,303	1,039
1972 <u>7/</u>	45,370	1,150	14,180	60,700	52,300	861	1,573	1,110	1,120	1,236	980
1973 <u>7/</u>	44,080	1,170	15,300	60,550	51,800	869	1,671	1,187	1,112	1,211	990
-----											
Per capita <u>8/</u>											
----- Pounds -----											
1965	264	7.6	34.0	306	294	5.8	5.7	3.4	4.7	10.8	5.0
1968	245	6.4	48.1	299	275	4.9	6.0	4.0	4.7	8.7	4.8
1969	237	6.0	53.9	297	267	4.6	6.3	4.2	4.8	7.6	4.9
1970	229	5.6	57.5	292	260	4.4	6.8	4.4	5.1	6.6	5.0
1971	223	5.5	63.0	292	255	4.3	7.0	4.7	5.2	6.3	5.0
1972 <u>7/</u>	221	5.6	69.1	296	255	4.1	7.6	5.3	5.4	5.9	4.7
1973 <u>7/</u>	213	5.6	73.8	292	250	4.1	8.0	5.7	5.3	5.8	4.7
-----											
Frozen products					Dry products						
	Ice cream	Ice milk	Sherbet	Other	Mello-rine	Whole milk	Nonfat dry milk	Butter-milk		Whey	Malted milk
----- Million pounds -----											
Total											
1965	3,634	1,270	295	39	255	61	931	79		113	20
1968	3,711	1,429	320	42	268	50	1,031	67		149	18
1969	3,674	1,515	333	36	267	44	1,040	61		155	18
1970	3,656	1,577	318	40	249	43	960	50		186	18
1971	3,676	1,582	317	47	232	32	958	55		204	19
1972 <u>7/</u>	3,697	1,590	325	52	218	24	852	48		229	N.A.
1973 <u>7/</u>	3,770	1,600	351	52	200	27	1,124	47		235	N.A.
-----											
Per capita <u>8/</u>											
----- Pounds -----											
1965	18.8	6.6	1.5	0.2	1.3	0.3	4.8	0.4		0.6	0.1
1968	18.6	7.2	1.6	.2	1.3	.3	5.2	.3		.7	.1
1969	18.2	7.5	1.7	.2	1.3	.2	5.2	.3		.8	.1
1970	17.9	7.7	1.6	.2	1.2	.2	4.7	.2		.9	.1
1971	17.8	7.7	1.5	.2	1.1	.2	4.6	.3		1.0	.1
1972 <u>7/</u>	17.8	7.6	1.6	.2	1.0	.1	4.1	.2		1.1	N.A.
1973 <u>7/</u>	18.0	7.6	1.7	.2	1.0	.1	5.4	.2		1.1	N.A.

<sup>1/</sup> Excludes milk used on farms where produced and distribution from USDA supplies; includes sales to the Armed Services for use in the United States. See DS-328, November 1969, table 12 for 1950-67 data.  
<sup>2/</sup> Includes milk and cream mixtures. <sup>3/</sup> Includes skim milk, buttermilk, and flavored milk drinks. <sup>4/</sup> Fat solids basis. <sup>5/</sup> Excludes cottage cheese. <sup>6/</sup> Includes full-skim American. <sup>7/</sup> Preliminary. <sup>8/</sup> Based on resident population, except fluid milk product sales--based on estimated population using fluid products from purchased sources.



Table 9.--Dairy products removed from the commercial market by programs  
of the United States Department of Agriculture, 1949-73

Year and month	Removals <u>1/</u>					Solids content of removals			
	Butter	American	Evap-	Nonfat	Milk	Milk-	Solids-	As a percentage	
	<u>2/</u>	cheese	orated	dry	equiv-	fat	not-	of marketings	
		<u>3/</u>	milk	milk	alent		fat	Milk-	Solids-
	Million	Million	Million	Million	Million	Million	Million	Percent	Percent
	pounds	pounds	pounds	pounds	pounds	pounds	pounds		
1949	111.7	25.5	---	325.5	2,489	100.4	321.1	2.6	4.6
1950	14.6	83.2	---	327.2	1,126	40.9	339.9	1.1	4.9
1951	5/-27.3	5/-7.1	---	35.3	5/-618	5/-24.0	31.5	5/	.5
1952	16.1	1.7	---	42.3	339	13.8	41.2	.4	.6
1953	355.2	302.5	---	597.1	10,200	387.5	668.9	9.7	8.6
1954	305.1	242.5	---	644.4	8,588	328.2	695.5	8.0	8.7
1955	162.0	141.3	---	534.7	4,685	179.6	558.0	4.3	6.8
1956	164.6	186.5	---	723.4	5,206	197.6	753.0	4.7	8.7
1957	172.5	240.6	---	825.2	5,870	222.1	867.5	5.2	9.8
1958	183.7	75.0	---	886.0	4,658	178.2	875.0	4.2	9.8
1959	123.7	57.2	---	830.3	3,214	123.8	815.6	2.9	9.1
1960	144.8	.3	---	852.8	3,101	122.6	819.8	2.9	8.9
1961	329.4	100.0	---	1,085.6	8,019	305.0	1,075.3	6.9	11.2
1962	402.7	212.9	---	1,386.1	10,724	402.4	1,399.0	9.1	14.3
1963	307.5	110.9	---	1,219.2	7,745	291.8	1,210.1	6.7	12.3
1964	295.7	128.5	---	1,168.8	7,676	287.6	1,166.9	6.5	11.6
1965	241.0	48.6	---	1,098.4	5,665	217.4	1,074.0	5.0	10.8
1966	25.1	10.8	---	365.8	645	26.2	355.5	.6	3.7
1967	265.1	180.5	---	687.0	7,427	276.3	719.1	6.6	7.5
1968	194.8	87.5	54.9	557.8	5,159	193.2	575.4	4.7	6.0
1969	187.9	27.7	107.5	407.2	4,479	171.6	421.5	4.2	4.4
1970	246.4	48.9	48.4	451.6	5,774	221.1	460.7	5.3	4.8
1971	292.2	90.7	111.4	456.2	7/7,268	7/276.5	7/490.1	6.6	5.0
1972 <u>6/</u>	233.7	30.4	97.0	345.0	5,402	7/208.4	7/362.4	4.9	3.6
<u>1973 6/</u>									
Jan.	21.2	---	4.7	1.0	453	17.4	2.0		
Feb.	25.7	---	.7	2.1	539	20.8	2.4		
Mar.	27.8	---	---	2.4	583	22.5	2.8		
Apr.	3.9	.7	6.4	1.3	104	4.0	2.9		
May	9.1	.7	11.1	4.5	222	8.5	6.8		
June	7.3	1.2	8.4	4.7	185	7.1	6.8		
July	2.7	.7	9.6	.8	87	3.3	3.1		
Aug.	---	---	---	4.3	5	.2	4.6		
Sept.	---	---	9.5	4.4	22	.9	6.2		
Oct.	---	---	---	1.8	---	8/	1.7		
Nov.	---	---	1.8	3.8	4	.2	4.0		
Dec.									
Total									

1/ Delivery basis, after unrestricted domestic sales.

2/ Includes butter equivalent of anhydrous milkfat, PIK, and purchases under Sec. 709.

3/ Includes purchases under Sec. 709.

4/ Includes PIK certificates issued.

5/ Domestic sales exceeded purchases.

6/ Preliminary.

7/ Includes dry whole milk purchases beginning November 1971.

8/ Less than 50,000 pounds.







Table 12.--Dairy product exports, 1960-73

Year and month	Butter 1/	Cheese	Evap- orated milk	Con- densed milk	Dry whole milk	Nonfat dry milk	Infant and dietetic foods	Milk equiv- alent 2/
Million pounds								
1960	8.0	9.1	101.5	41.9	28.1	446.7	16.3	776
1961	6.7	8.8	92.3	47.3	17.5	734.2	19.1	655
1962	34.9	19.1	66.3	47.7	13.4	873.6	16.0	1,287
1963	192.5	33.6	65.5	56.6	29.8	1,119.2	18.0	5,036
1964	296.5	9.1	37.3	62.8	12.3	1,310.9	18.6	6,872
1965	65.7	6.8	24.7	65.8	18.6	863.4	16.0	1,836
1966	13.7	6.0	38.4	94.3	15.6	387.7	16.5	778
1967	2.9	6.4	33.8	29.2	11.9	409.0	17.2	363
1968	32.2	6.8	32.7	42.5	17.2	397.1	18.5	1,185
1969	20.8	7.2	37.1	52.2	13.9	329.4	16.9	921
1970	1.9	6.7	33.3	16.4	12.6	416.1	18.6	437
1971	92.8	6.5	32.7	35.2	23.6	357.6	25.5	2,458
1972	43.6	6.4	40.5	14.9	37.6	282.4	20.7	1,481
1973 3/								
Jan.	4/	.6	3.8	1.0	3.7	8.7	1.3	48
Feb.	.1	.6	3.5	.1	4.3	1.2	1.3	50
Mar.	.1	.7	4.8	.2	4.1	1.7	1.6	53
Apr.	2.7	.4	4.0	4/	4.6	1.1	1.7	108
May	.5	.5	3.1	.1	5.2	.5	1.7	65
June	.1	.5	3.0	.2	6.2	1.7	1.3	65
July	4/	.7	3.0	.1	3.8	.3	1.7	46
Aug.	4/	.6	4.6	.1	3.7	.3	1.8	48
Sept.	4/	.7	1.9	.1	5.8	.7	1.2	58
Oct.	.2	.6	3.8	.1	1.4	.8	1.8	33
Jan.-Oct.	3.7	6.0	35.5	1.9	42.8	16.8	15.4	574

1/ Includes butter equivalent of butteroil, ghee, and anhydrous milkfat. 2/ Includes milk equivalent of products not shown separately. 3/ Preliminary. 4/ Less than 50,000 pounds.



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CLOTHING AND TEXTILES: SUPPLIES, PRICES, AND OUTLOOK FOR 1974

Paper by Virginia Britton  
Consumer and Food Economics Institute  
at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 3:30 P.M., Tuesday, December 18, 1973

Clothing expenditures and prices.--Consumers are spending at an annual rate of about \$329 per person on clothing and shoes in 1973, according to preliminary figures for the first three quarters of the year. This rate is about \$31 higher than in 1972. While part of the increase was caused by higher price levels in 1973, thus far there appears to be an increase of about 6 percent in terms of dollars of constant value (table 1).

The price level for apparel and upkeep averaged 3.5 percent higher during the first 9 months of 1973 than during the same period in 1972. As usual, the rise for clothing was less than for the all-items index of the Consumer Price Index (table 2).

Among the three apparel subgroups, footwear continued to lead the price advance. The price level for footwear averaged 4.2 percent higher during the first 9 months of 1973 than during the same period of 1972. Increases were somewhat less for men's and boys' clothing and for women's and girls' clothing.

Recent reports from trade sources anticipate changing clothing purchases as a result of fuel cutbacks: Heat reductions this winter will increase purchases of heavier garments for indoor use, such as pantsuits, sweaters, and heavyweight hosiery, underwear, pajamas, and robes, as well as blankets. Decreases in gasoline for travel next summer could decrease purchases of sportswear. Fuel cutbacks may decrease apparel purchases, in general, if retail stores are required to operate fewer hours, if people cannot go shopping because of gasoline shortages, and if employment and incomes decline. Shopping will be concentrated at shopping centers in the midst of populated areas.

Trade sources have recently noted probable price changes during the year ahead: Some department stores may omit traditional January "white sales." Prices for cotton outerwear, underwear, towels, and other items are expected to be higher by spring than in fall 1973, and even higher by fall 1974. But consumers may resist these increased prices by postponing purchases when they have supplies of towels or underwear which they can continue to use.



Trade papers report that clothing manufacturers expect higher costs of fabrics and perhaps labor for garments for fall 1974 than for fall 1973. Some manufacturers of men's clothing expect to "remerchandise" their lines to maintain certain price lines as much as possible, which may require economizing on fabrics and tailoring. Manufacturers of women's clothing say they will have to raise prices, particularly because of increases in fabric prices which they can no longer absorb, and may have to omit lower-priced lines.

It appears, then, that we can expect some increase in retail price levels for clothing in 1974 -- but perhaps less than the industry would like. Because of other pressures on consumer incomes, discretionary spending on clothing may be curtailed. The average person may spend no more or even less on clothing in 1974 than in 1973 in terms of dollars of constant value.

Supplies of raw materials.--U.S. mill use of total fibers in 1973 is estimated to be about 7.7 percent higher than in 1972 on a per capita basis. The preliminary estimate is a total mill use of 60 pounds of fiber per capita in the calendar year 1973 including about 17 pounds of cotton, 1 of wool, and 42 of manmade fibers.

U.S. cotton supplies of the medium and longer staples (used for print-cloth, blends, and 100 percent cotton fabrics) will be much tighter during the crop year, August 1, 1973 to July 31, 1974, than in the previous year. U.S. output is expected to be smaller because of spring flooding in the Delta; also, stocks on August 1 were relatively small. Tight supplies and high prices may result in some reduction in U.S. mill use of cotton for textiles. Mounting foreign demand for U.S. cotton reflects limited stocks of manmade fibers and rising competition for land from food crops. Some U.S. mills have been lobbying for restrictions on U.S. cotton exports to enlarge supplies available for domestic use.

Mills are faced with cutbacks in supplies of manmade fibers because of limited supplies of petrochemical and other inputs--a reversal from the dependable supplies of recent years. U.S. mills, as well as mills in Europe and Japan, from which we import textiles and apparel, are affected. Eastman Chemical Products reduced polyester production 18 percent in June 1973, and several other producers followed. On November 8, 1973, DuPont announced a cut of about 10 percent in production of polyester for November, December, and January because of the "overall tight supply situation in oil and natural gas." DuPont had earlier slowed production of chemicals needed for the manufacture of nylon.

A Shell Chemical manager was quoted in September 1973 as saying that the United States will be short of petrochemical products for years to come because of problems with feedstock supplies, fuel shortages, and construction, and that the prices of petrochemicals are bound to soar. A general energy shortage would affect all industries, and the textile industry is energy intensive. Furthermore, the textile dyeing and finishing plant operators need natural gas, propane, and heating oil as raw materials and say there is no point in the mills producing gray goods if finishing plants cannot operate. In addition, the shortage of petroleum as a raw material feedstock would

and textiles through curtailment of production of important manmade fibers for fabrics, threads and zippers. Examples of such fibers are polyester (the major manmade fiber), and acrylics, and nylon 66 (from products derived from coal, gas and sea water). Cuts in petroleum feedstocks would affect plastics such as vinyl for shoe uppers and products for non-leather shoe soles, and synthetic rubber for footwear and foam for coats and furniture. Also of importance to consumers of clothing and textiles are the uses of petroleum feedstocks for detergents and dry cleaning fluids, as well as for fertilizers important in cotton production.

U.S. wool production (apparel class) in 1973 is expected to drop 9 percent from the previous year, the thirteenth successive annual drop. High prices of U.S. and imported wool are expected to reduce use of wool by U.S. mills this year. World production of wool seems likely to stabilize or increase only slightly in 1973-74. Although world growers are delighted by high wool prices, they are uncertain whether they would do better to cash in on high meat prices by slaughtering sheep or by switching to cattle.

U.S. production of hides (chiefly from cattle) in the fall of 1973 will probably be less than in the fall of 1972 as fewer cattle go to market. This, however, would be 10 percent more than in the summer of 1973. Cattle marketings in the winter will be down from fall and year-earlier levels, but are expected to rise sharply in spring 1974.

In 1972, U.S. producers sold nearly 37 million cattlehides--20 million to the domestic tanning industry and 17 million as exports. U.S. tanners and producers of shoes and other leather goods want restricted exports of hides since the United States, the world's largest producer, is now the only major cattle-raising country that imposes no export quotas on hides. Shoe producers claim that they have not been able to pass along to consumers the total increases in leather costs.

Conclusion.--What does this mean to us as consumers? Some things seem rather obvious. We need to take special care of the clothing and household textiles we have and make fullest use of them, at the same time conserving water, fuel, energy, detergents, and cleaning fluids. We need to plan thoughtfully any purchases necessary to supplement the wardrobes of various family members to fit the purchases into our budgets. Then we must shop wisely for fabrics, styles, and tailoring that are appropriately durable without using an excess of gasoline for our shopping trips. Saving our money and the nation's scarce resources may mean that we have to use more of our own time and energy, acquire more knowledge and skills, and simplify our standards.

Table 1.--Annual expenditures on clothing and shoes

Years <sup>1/</sup>	Per capita expenditures		Percent of expenditures for personal consumption		Aggregate expenditures	
	1958 dollars	Current dollars	1958 dollars	Current dollars	Billions of 1958 dollars	Billions of current dollars
1929 -----	149	77	13.0	12.1	18.2	9.4
1930-40 ----	122	51	11.8	10.7	15.6	6.5
1941-46 ----	151	100	11.8	12.9	20.7	13.7
1947-61 ----	144	140	9.0	9.4	23.5	22.9
1962-65 ----	160	170	8.4	8.3	30.6	32.4
1966 -----	185	204	8.7	8.6	36.4	40.3
1967 -----	184	213	8.5	8.6	36.6	42.3
1968 -----	188	231	8.3	8.6	37.8	46.3
1969 -----	191	248	8.3	8.7	38.8	50.2
1970 <sup>2/</sup> ----	191	258	8.2	8.6	39.1	52.8
1971 -----	197	276	8.2	8.6	40.7	57.0
1972 -----	208	298	8.2	8.6	43.4	62.3
1973 <sup>3/</sup> ----	221	329	8.4	8.7	46.5	69.2

<sup>1/</sup> Earlier years are grouped on basis of similarity in level of per capita expenditures in 1958 dollars.

<sup>2/</sup> Revised data for 1970 to 1972.

<sup>3/</sup> Preliminary figures--average of estimates for first 3 quarters of 1973 (i.e., seasonally adjusted quarterly totals at annual rates).

Source: Department of Commerce.

Table 2.--Annual percentage change in selected indexes of consumer prices

Index	1969	1970	1971	1972	1973 <sup>1/</sup>
Consumer Price Index -----	+5.4	+5.9	+4.3	+3.3	+5.5
Apparel and Upkeep Index <sup>2/</sup> ----	+5.8	+4.1	+3.2	+2.1	+3.5
Men's and boys' clothing ----	+6.3	+4.2	+2.7	+1.3	+3.8
Women's and girls' clothing --	+5.5	+3.8	+3.5	+2.4	+3.1
Footwear -----	+6.2	+5.3	+3.2	+2.8	+4.2

<sup>1/</sup> Preliminary estimates -- average for first 9 months of 1973 compared with average for first 9 months of 1972.

<sup>2/</sup> Also includes infants' wear, sewing materials, jewelry, and apparel upkeep services, for which separate indexes are not available.

Source: Bureau of Labor Statistics.





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UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR FOOD PRICES, CONSUMPTION, AND EXPENDITURES

Talk by Larry V. Summers

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 4:00 P.M., Tuesday, December 18, 1973

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FOOD PRICES

Food prices in 1973 have risen at the most rapid rate in over a quarter century. In August, the Consumer Price Index for food was a fifth higher than a year earlier, culminating a series of price advances which began in late 1972 and increased in intensity. Since August, food prices have declined slightly, but will still average about 14 percent above last year for all of 1973.

Most of the year-to-year increase in food prices has been due to advances in food at home prices which have averaged about 16 percent above 1972. The Consumer Price Index for food eaten away from home has risen at about half the pace for meals eaten at home, but in recent months away-from-home food prices have increased more rapidly.

Most of the increase in food-at-home prices this past year can be attributed to animal-related food products. These products as a group, accounting for a little more than half of the food-at-home index weights, averaged about a fifth higher in price than they did in 1972. The 1973 average price for red meat is nearly a fourth above a year earlier with beef and veal prices up about 20 percent and pork prices nearly a third higher. Poultry meat prices have averaged about 42 percent above last year, while egg prices have been nearly half again as high. Fish and dairy product prices which increased more slowly than meat and poultry prices early in the year, are about 14 and 8 percent higher, respectively for 1973 compared to a year earlier.

Retail prices for crop food products, which account for nearly one-half of the food-at-home index, rose on the average at only about half the rate for livestock products. Fresh potato prices averaged nearly half again as



high as in 1972 to lead this group of products, while other fresh vegetables were up about a fifth and fresh fruits were up about a tenth. Cereal and bakery product prices were also nearly 10 percent higher, but processed fruits and vegetables, sugar and sweets, food fats and oils, non-alcoholic beverages, and other food products posted more moderate increases for the year in a range of about 3-8 percent. It may be noted, however, that retail prices for many of these more highly processed items are continuing their advance, reflecting raw-product, processing, and marketing cost increases which occurred earlier this year.

The price increases which have occurred this year, despite various phases of price controls, reflect strong demand and reduced food supplies both at home and abroad. It may be of interest therefore to consider the major economic forces which have marked 1973 as one of the most turbulent years in history for all facets of the food industry from farmer to consumer.

### Strong Domestic Demand

Economic activity moved ahead at an extremely fast pace this year. The Nation's output of goods and services in the first three quarters of 1973 was nearly 12 percent above a year earlier, with hefty increases in personal consumption, business, government, and export sectors. People employed in the third quarter numbered over  $2\frac{1}{2}$  million above a year earlier, while the unemployment rate dropped significantly. Average hourly earnings during the third quarter were almost 7 percent above last year.

Personal incomes were further augmented earlier this year by unusually large income tax refunds, and increases in social security benefits provided additional purchasing power in the economy. In short, more people have had more money to bid for existing food supplies. This has been a particularly important factor in the demand for foods such as red meat.

### Tight World Supplies

The United States was not the only nation experiencing increases in food demand. Continued growth in population and purchasing power, additionally strengthened by international currency realignments, increased total demand for U.S. farm products in other countries. Relaxation of cold war constraints also contributed to U.S. export expansion.

But more important, in terms of impact on U.S. exports, was the tight supply situation overseas. Unfavorable weather sharply curtailed grain and forage production in the USSR, People's Republic of China and other Asian countries as well as Africa, Australia, and parts of Latin America. Moreover, a sharp drop in the Peruvian anchovy catch impacted heavily on the world protein meal supply situation.

As a result of these and other forces, exports of U.S. farm products hit an all-time high of \$12.9 billion in fiscal 1973--60 percent above the previous record a year earlier. Accounting for most of the gains in our

agricultural exports were Western Europe, Japan, USSR, and the People's Republic of China, although all major world areas took more U.S. farm products last year than the year before.

### Reduced Domestic Food Supplies

On the domestic supply side, a number of conditions significantly reduced the amount of food available for consumption during much of 1973. Part of the supply problem can be traced back to Hurricane Agnes on the East Coast and spring frosts in the Western States at the beginning of the 1972 growing season. These weather conditions resulted in reduced harvests of several important fruit and vegetable crops that fall, limiting storage supplies and processed product stocks through the first half of 1973. Inclement weather in the midsection of the country also hampered grain and soybean harvests during the fall of 1972 and persisted through the winter and spring of 1973, causing abnormally high livestock death losses and increasing the uncertainty about crop production this year.

Although 1973 production of crop food commodities is estimated to be 8 percent above last year, much of it was not harvested until late summer and fall. And most of the gain is in soybeans and grains which are primarily exported or used for feed, and hence have only a limited direct impact on food supplies. Consequently, only a small part of the increased supply of crop food commodities has been available for domestic food use during 1973.

Even more important, the production of livestock-related commodities has declined this year in the face of strong demand. The decline largely reflects reduced profitability of livestock and poultry feeding during much of the year. Feed grain and protein meal prices were bid sharply higher by surging demand at home and abroad. Price ceilings which were imposed on red meats in late March and extended to other food products in June, not only held retail prices from rising further, but also disrupted normal marketing patterns and reduced producers' abilities or willingness to expand output. Price ceilings have since been lifted and livestock marketings have increased. Also, feed prices have moderated from their summer highs which may encourage increased output of meat and eggs. But for the present, total output of foods from animal sources remains below a year earlier with dairy and pork supplies most seriously affected.

### Outlook for 1974

Average retail food prices are likely to turn upward again this winter following the relatively stable pattern of the past 3 months. Red meat supplies are expected to tighten during the first quarter of 1974 reflecting the continued low output of pork and the smaller number of cattle placed on feed this past summer and early fall. Thus, meat may again join with most other food categories, including food-away-from home, in pushing up the all-food price index. However, the rate of increase is expected to be relatively moderate compared with that of last year. Still, given the



price increases which have occurred since early 1973, the index for the first quarter of 1974 may average around 15 percent above a year earlier.

If present expectations are realized retail food prices may stabilize again during the second quarter of 1974 and remain relatively steady through the end of the year. The output of livestock related food products is expected to expand after the first quarter with increases for beef, poultry products, and possibly pork by late in the year, more than offsetting declines for dairy products. Supplies of crop food commodities may also be slightly larger again next year. Thus, generally declining farm prices may about offset increasing food marketing costs which will accompany inflationary pressures in the economy.

It should be recognized, however, that an unusual degree of uncertainty surrounds the food supply-demand situation this year, making any prediction of food prices beyond the next few months extremely tenuous. There are at least three areas of uncertainty which set this year apart from other recent years in terms of the forces shaping the food outlook.

One area of concern relates to the low levels of farm commodity and food stocks both in the United States and worldwide. Prior to this past year large inventories, especially of grains but also including processed fruits and vegetables and processed dairy products, served as a buffer against shortfalls in output and dampened speculative demand for these commodities. But stocks were drawn-down to near minimal levels in 1973 and increased crop output merely restored supply to a rather precarious balance with demand. Thus, any developments causing demand for U.S. farm products to be greater than now anticipated or any major problems associated with 1974 crop output, including the ever present uncertainties of weather, could send prices sharply higher. The converse situation is also possible, although the demand for inventory build-up and upward pressures on marketing costs would tend to dampen downward price adjustments at the retail level.

A second area of uncertainty involves the energy situation. This could have important implications for food prices in either direction depending on the severity of petroleum and other energy shortages and the policies adopted for managing them. The demand for food, both at home and abroad, could be weakened if overall economic activity slows and widespread unemployment develops. Conversely, uncertainty concerning fertilizer and fuel supplies and increased costs associated with producing and marketing food could result in supply reductions and upward price pressure.

A third area of uncertainty relates to the international monetary situation and the foreign trade policies of major trading nations of the world. The significance of the "floating dollar" and "detente" with the USSR and the People's Republic of China was brought home to U.S. farmers and consumers this past year. Additional developments in the international sphere could have significant repercussions on domestic food supplies and prices in the year ahead.

## PER CAPITA FOOD CONSUMPTION

### Consumption Down in 1973

The sharpest drop in per capita food consumption in 15 years is occurring this year. About  $1\frac{1}{2}$  percent less than in 1972, consumption is at the lowest level in 4 years. A gain for crop-related foods, largely fruits and processed vegetables, partly offsets the 3 percent decline in consumption of livestock products. There have been sharp reductions for meat and eggs and smaller declines for poultry and fish.

The 6 percent decline in meat consumption estimated for 1973 is the most precipitous drop since 1948. However, most of the reduction from last year's level has already occurred. In the fourth quarter, consumption is expected to be about 3 percent below last year's rate, compared with an average deficit of about 7 percent per quarter through September.

Per capita poultry consumption has declined from the record-high rates set in 1972. But the margin of difference has narrowed and has continued to lessen in the fourth quarter. Egg consumption, however, will continue to lag during the fourth quarter by 5 percent, the average drop for the year.

Although milk production has declined in 1973, per capita consumption of dairy products is up slightly. Imports are up sharply, exports are down sharply, and stocks of most major dairy products have been reduced. Cheese consumption has increased by about 5 percent and non-fat dry milk by about a tenth from 1972. Butter, canned milk, and fluid whole milk consumption has continued to decline in 1973.

Per capita consumption of fishery products may be declining slightly this year due mainly to the smaller supply of major canned items. Consumption of fresh and frozen fishery products has increased slightly as consumers have sought alternatives to red meats.

Fruit consumption per person has increased 4 percent this year over the reduced 1972 level. Most of the increase is due to record large citrus supplies. Fresh fruit use has gained 2 percent while consumption of processed items, led by frozen concentrated orange juice, has risen about  $6\frac{1}{2}$  percent.

Per capita consumption of vegetables has remained relatively unchanged with a decline in fresh use about offset by increases for canned and frozen items. Consumption of cereal food products also has remained steady this year with all product categories in this group about matching their year-earlier levels.

### Outlook for 1974

Red meat supplies next year are expected to regain about half of this year's drop. Poultry consumption likely will be at record levels, and egg consumption may increase a little. Use of dairy products, however, is



expected to decline. Consumption of all livestock products may move up 1-2 percent and, with little change foreseen in crop food consumption, total food consumption per capita could increase about 1 percent.

Meat consumption during the first half should average slightly above the reduced level this year. A modest gain is expected in the second half. Poultry consumption will be higher all year, making the largest gains in the second and third quarters--periods of greatest lag this year. Gains for eggs, to begin in the second quarter, are expected to get progressively larger reaching 2-5 percent more than this year's level in the last quarter. Reductions for dairy products will be spread throughout the year.

Per capita supplies of citrus products are expected to continue at near-record levels throughout 1974. Production of deciduous fruits and vegetables was up this fall, but the increase only served to replenish stocks of processed products which were drawn down to low levels earlier this year. Thus, supplies of these items will be little improved over the reduced 1973 level until new crops are harvested in 1974.

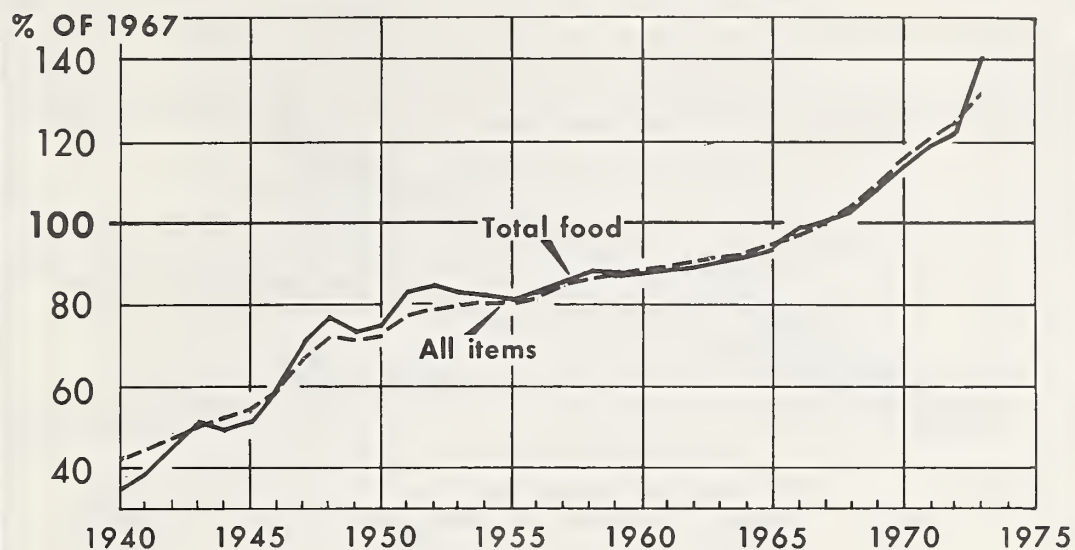
#### FOOD EXPENDITURES

Food expenditures in 1973 are up an estimated \$15 billion to \$140 billion, resulting in a record 12 percent yearly increase. The gain is totally due to higher prices. With consumption down, and with a transition by consumers from more expensive to less costly foods, real food expenditures (those adjusted for price increases to reflect essentially quantity changes) have declined. All of the decline will be associated with food eaten at home. Real expenditures have risen a little for meals and snacks eaten out.

Since expenditures for food have risen faster than disposable income, the share of income spent on food is estimated to have increased to 15.9 percent from 15.7 percent in 1972. This was the first such increase in 15 years.

Looking ahead to 1974, expenditures for food appear likely to rise moderately reflecting both greater consumption and higher prices. However, disposable income is also expected to be higher, and the percentage of income spent on food may remain about the same as in 1973.

# CONSUMER PRICE INDEX: TOTAL FOOD AND ALL ITEMS



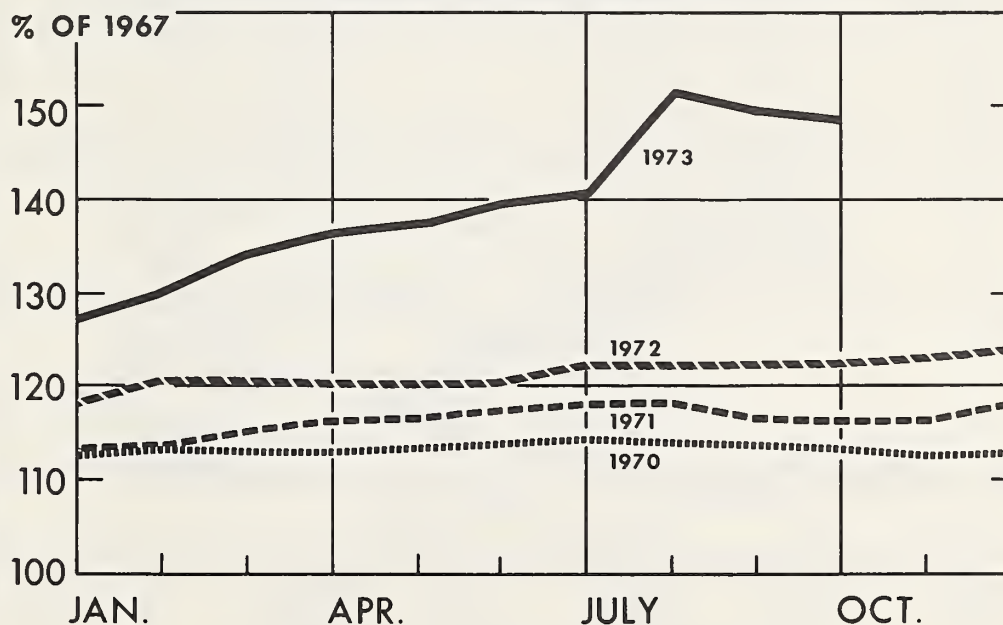
SOURCE: BUREAU OF LABOR STATISTICS.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 8797-73 (11) ECONOMIC RESEARCH SERVICE

Figure 1

## RETAIL FOOD PRICES\*



\*FOOD AT HOME.

SOURCE: BUREAU OF LABOR STATISTICS.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 8399-73 (11) ECONOMIC RESEARCH SERVICE

Figure 2

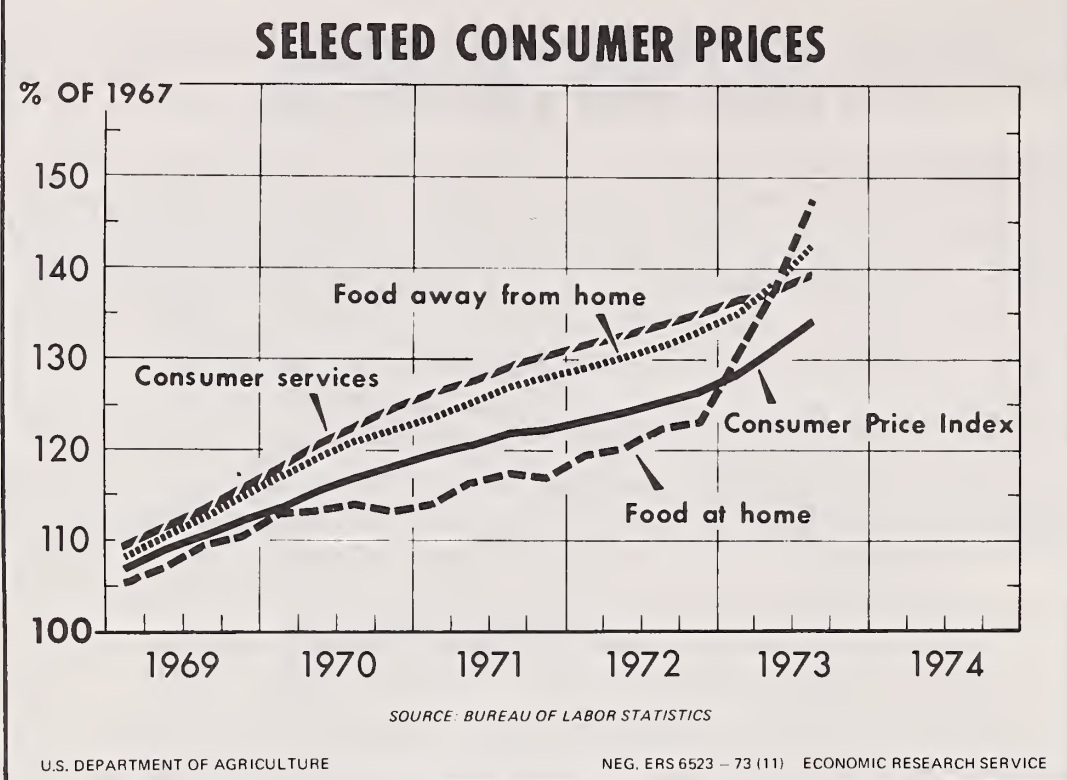


Figure 3

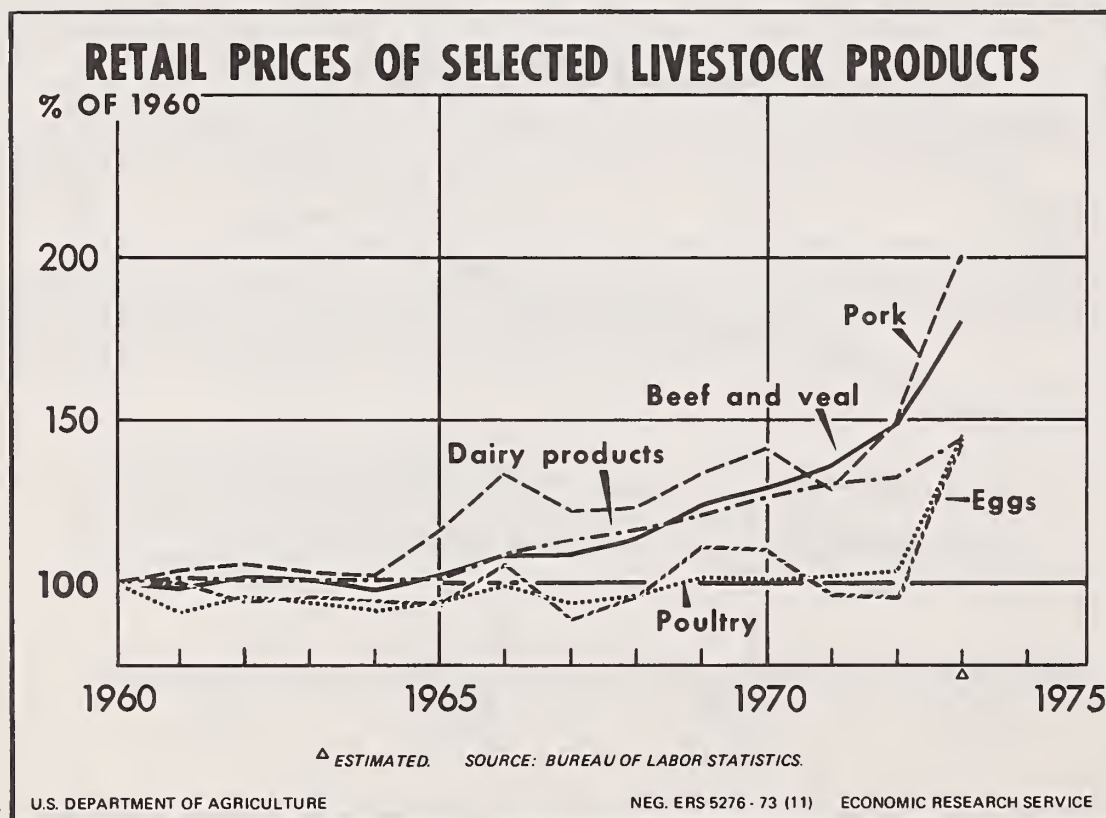


Figure 4

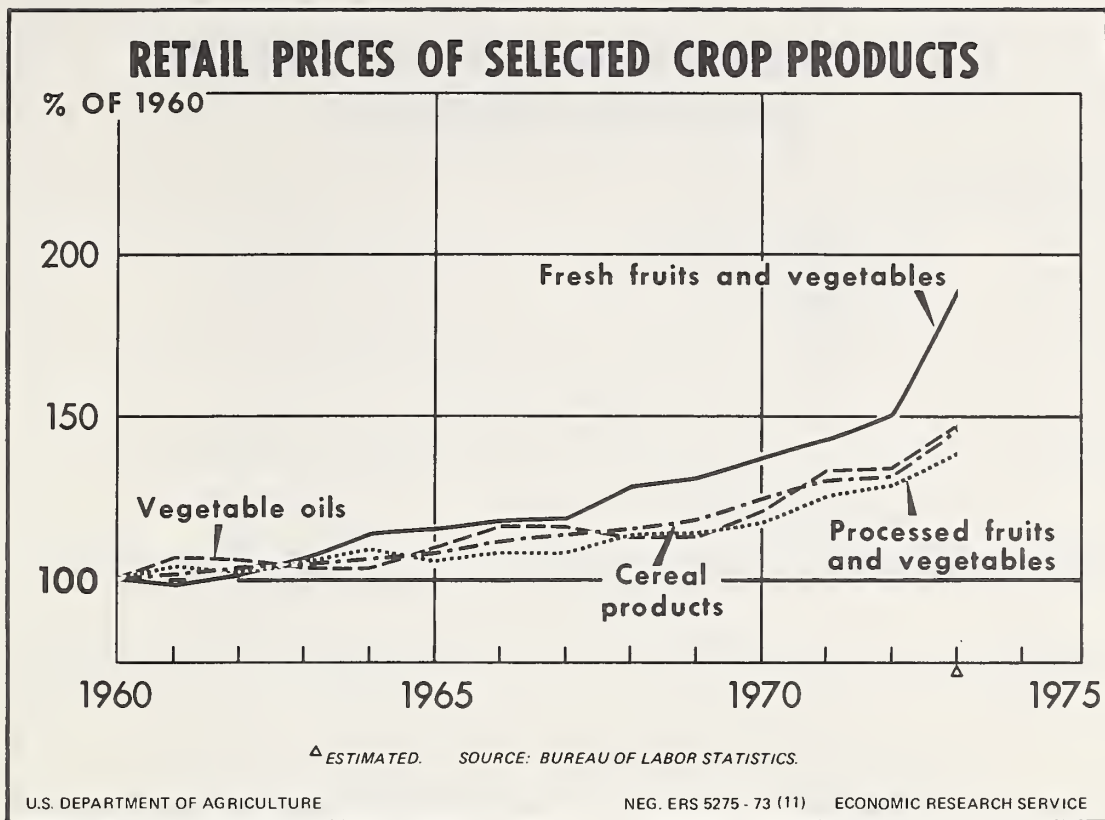


Figure 5

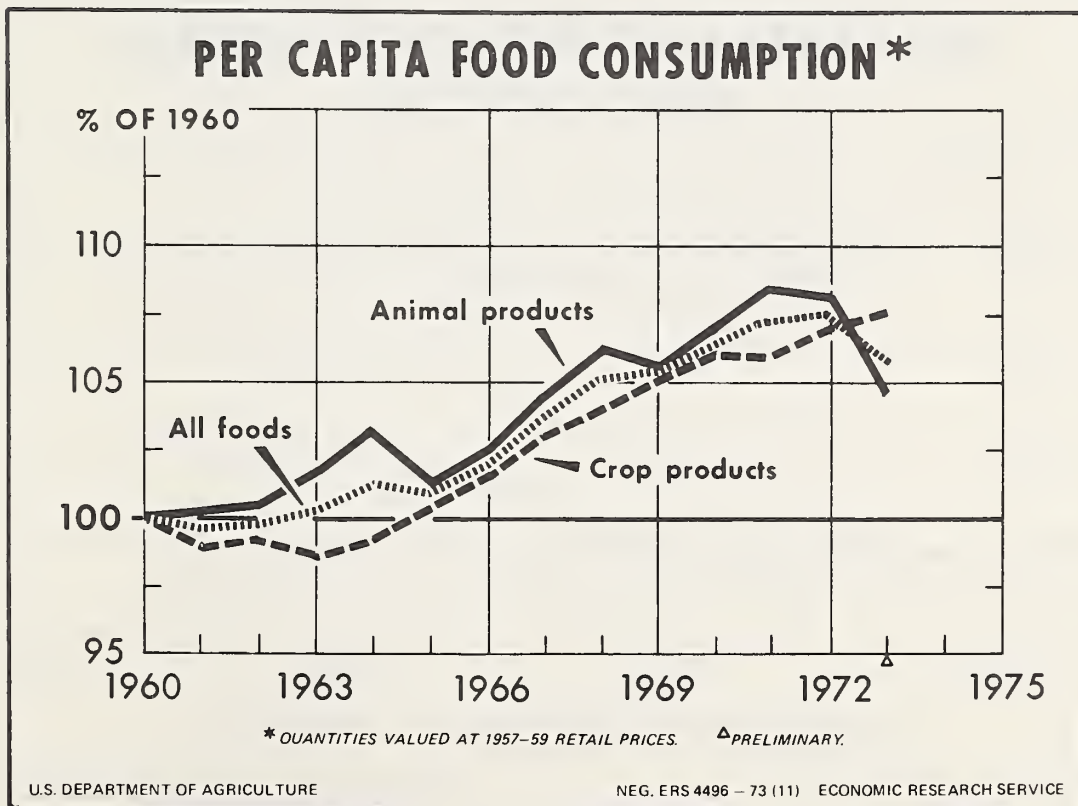


Figure 6



# PER CAPITA CONSUMPTION OF SELECTED LIVESTOCK PRODUCTS

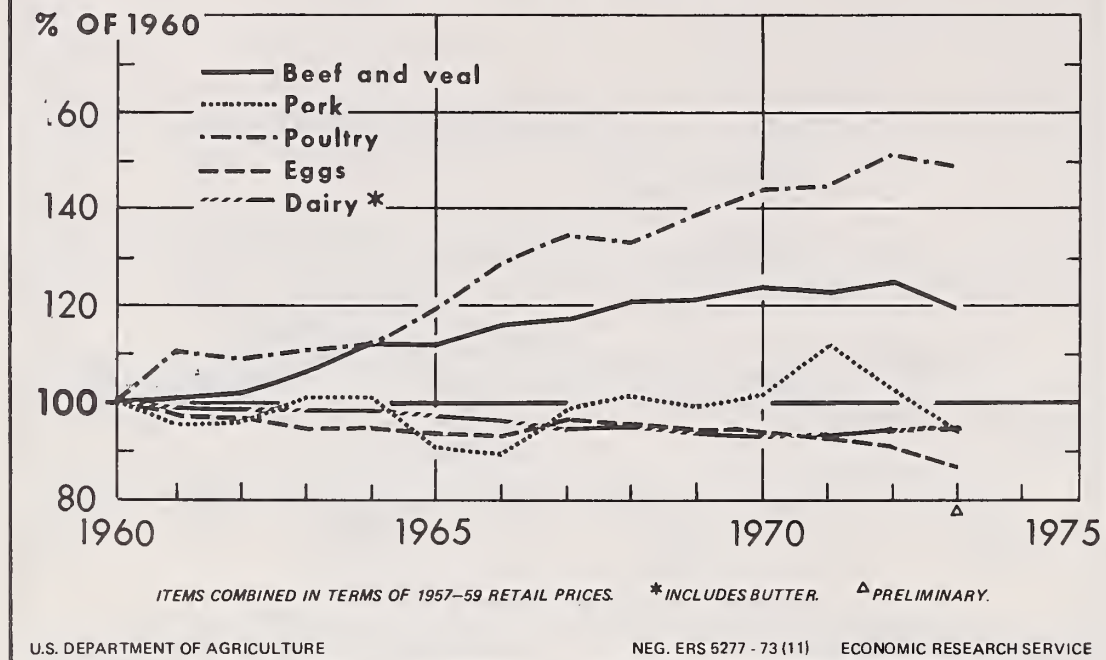


Figure 7

# PER CAPITA CONSUMPTION OF SELECTED CROP PRODUCTS

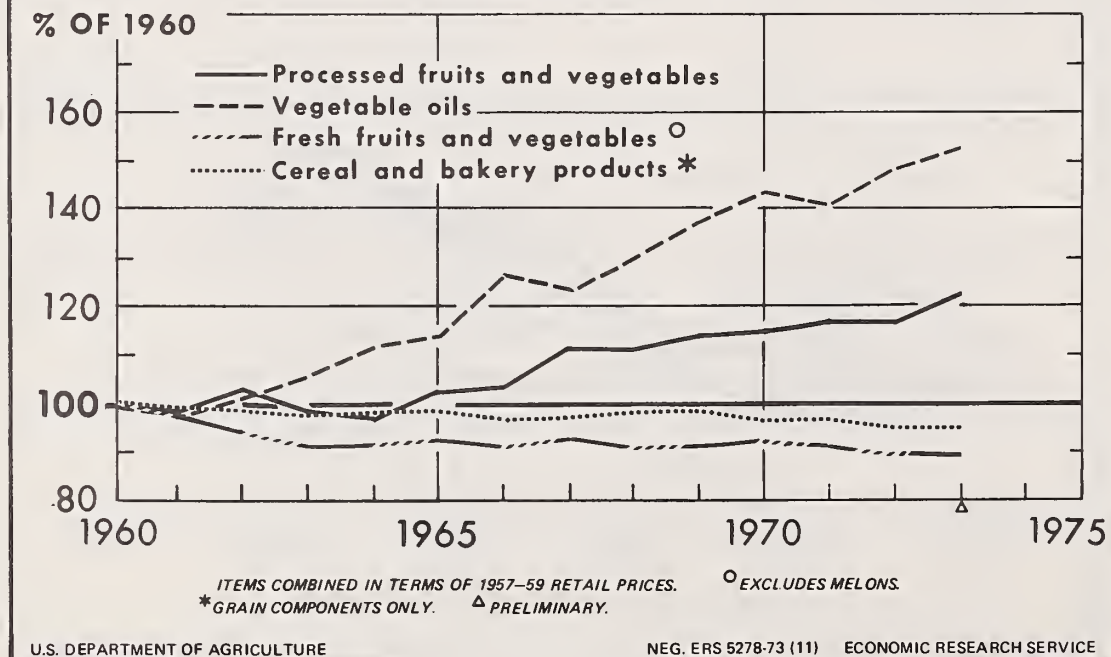


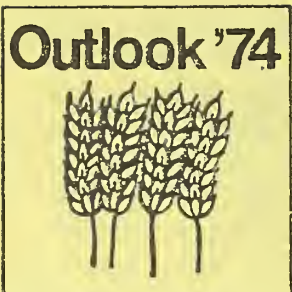
Figure 8



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OUTLOOK FOR OILSEEDS, FATS AND OILS

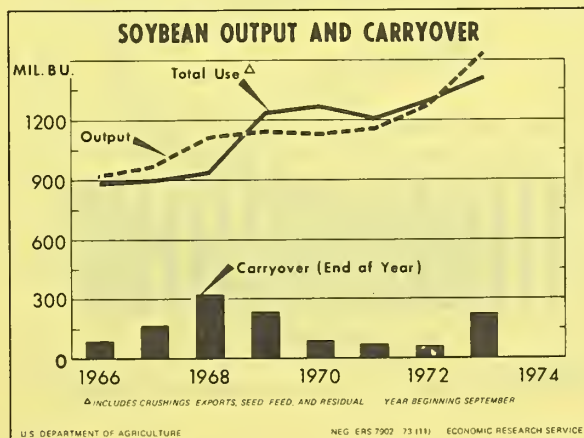
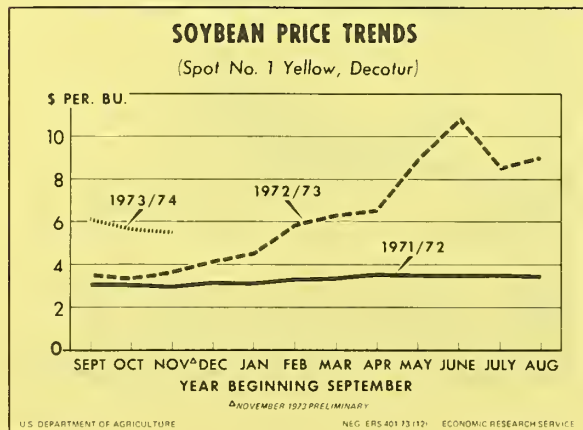
Talk by George W. Kromer  
at the 1974 National Agricultural Outlook Conference  
Washington, D. C., 8:45 a.m., Wednesday, December 19, 1973

The soybean outlook features record supplies, strong demand, high prices and possibly less acreage planted to soybeans in 1974. However, prospects for next year are clouded by energy-related uncertainties such as the availability of fuel, fertilizer, bunker oil and hexane solvent (a petroleum derivative) for soybean processing. The impact of the energy shortage on the U. S. fats and oils economy will depend a great deal upon how the shortfall is allocated among the various uses. Economic activity and GNP growth in industrialized countries such as Western Europe and Japan will be slowed because of inadequate energy, which in turn would reduce consumer disposable incomes, the demand for red meat, and hence protein meal.

For these reasons, the projections discussed today probably are subject to a wide range of variation.

Soybean Prices Record High

Soybean prices to farmers are record high for this time of the year, averaging \$5.50 per bushel during September-November, about \$2.25 above the same months in 1972. This reflects the small carryover last September, continuing





strong demand, and some early delays in harvesting the crop. But unlike last year, prices this fall may be at the season's peak. A year ago they were at season's low. Farmers are strong holders of beans this fall. The outlook for slightly lower soybean prices in 1974 reflects the loosening of supplies and a prospective carryover next September more than quadruple this year's. Nevertheless, prices received by farmers for the entire 1973/74 marketing year probably will average about \$5.25 per bushel (weighted by marketings), a tenth above 1972/73.

Record production and prices are expected to lift the farm value of the 1973 soybean crop to \$8.3 billion, more than a third greater than the 1972 crop value.

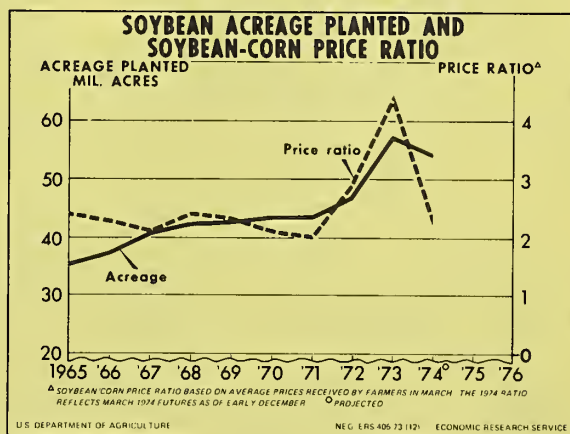
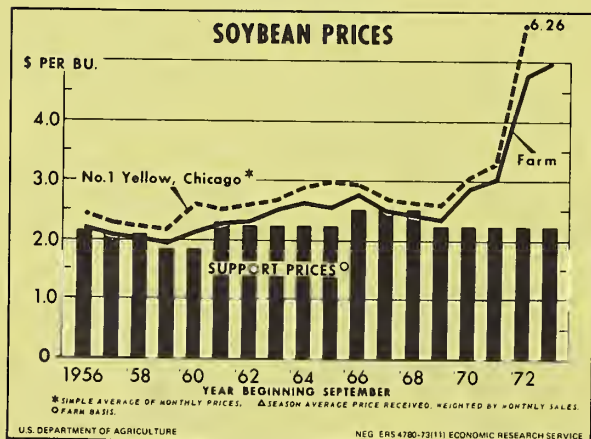
### 1974 Soybean Plantings May Decline 5 to 10%

Soybean planted acreage in 1974 is projected at 54 million compared with this year's 57 million, assuming 1974 crop planting weather is normal. Large increases are anticipated in corn and cotton acreages. Next year's soybean acreage could be down even more if prices decline sharply by planting time next spring. However, if yields are on trend, 1974/75 soybean supplies should be sufficient to meet all requirements.

The 1974 feed grain program provides producers with the opportunity to expand production. There will be no feed grain set-aside requirement and no restriction on planting for the 1974 crop program and there will be no conserving base requirements for the 1974 through 1977 crop years, the duration of the Agricultural and Consumer Protection Act of 1973.

The 1973/74 season average price received by farmers for corn is estimated to be \$2.30 per bushel compared with \$5.25 for soybeans--a 2.3 bean/corn price ratio which is more favorable to corn production. Also, there may be lower soybean prices next spring, coupled with strong corn prices. The soybean/corn price ratio based on current futures prices for March 1974, also is 2.3.

Because of the wet spring in 1973, about  $3\frac{1}{2}$  million acres above that indicated in the March planting intentions were shifted from other crops (primarily corn and cotton) into soybeans (soybeans can be planted later than corn and cotton). The record-high soybean price also encouraged this shift. Normal 1974 planting



weather would tend to nullify much of this acreage gain for soybeans.

Another factor that may slightly reduce soybean acreage in 1974 is an expected increase in rice acreage, since marketing quotas will not apply to rice for the first time in 20 years.

On the other hand, the possible shortage of fertilizer, particularly nitrogen fertilizer, may offset some of the above factors and encourage soybean acreage. Fertilizer is more critical for good corn yields than for soybeans.

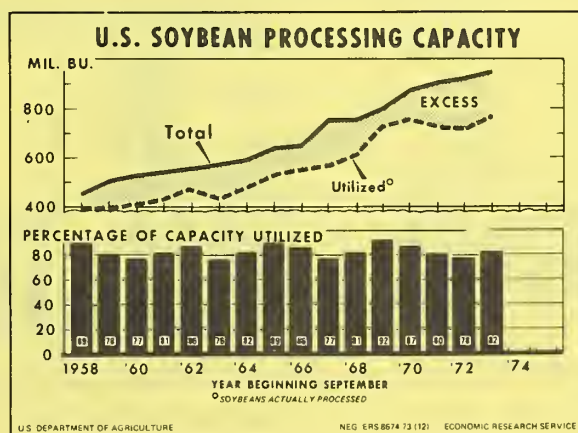
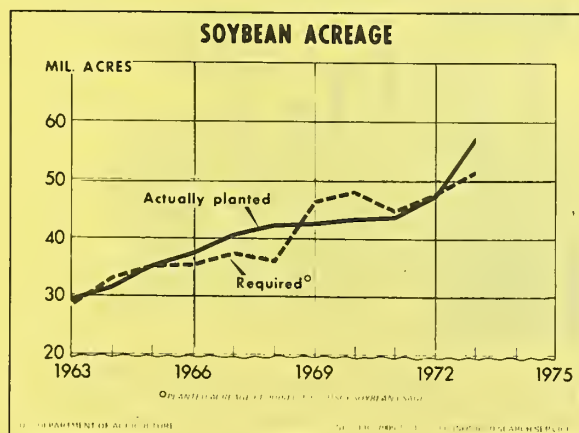
The first indication of 1974 acreages will be USDA's prospective plantings as of January 1, for release on January 22, 1974.

### Supplies Up A Fifth; Sharp Stock Buildup Likely

Soybean supplies in 1973/74 total 1,635 million bushels, 21% above last year and record large. Greater production is more than offsetting the reduction in beginning stocks. The 1973 soybean crop was estimated at a record 1,575 million bushels, as of November 1, up almost one-fourth from 1972. Acreage harvested at 56.2 million this year is also up nearly one-fourth as yield per acre was estimated at 28 bushels, the same as in 1972.

Soybean demand continues strong. Nearly 1.4 billion bushels will be utilized in 1973/74 compared with 1.3 billion last season. Both crushings and exports will rise. Despite these optimistic demand forecasts, there will be a sharp buildup in soybean stocks next September 1--to an estimated 260 million bushels compared with the extremely low 60 million this year.

Soybean crushings probably will rise to around 765 million bushels in 1973/74, up from the 722 million last season. During September-November the crush totaled an estimated 175 million bushels compared with 190 million last season, but the rate has been picking up. The record crush projected for 1973/74 mirrors expanding demand for soybean meal, both at home and abroad. Also, low carryover stocks this fall and increasing reliance upon soybean oil to fulfill domestic requirements for food fat products will help boost crushings. There is more than enough U. S. processing capacity to handle the projected crush--1973/74 industry capacity is estimated at 950 million bushels.





## The Hexane Solvent Situation

The volume of soybeans processed in the year ahead could be affected by a possible hexane solvent shortage. Nearly all the soybeans processed in the United States are by the solvent extraction technique. There is no nonpetroleum based product which could be readily substituted for the food-grade hexane solvent now used for extraction of oil from soybeans. A few soybean processing plants have had difficulty obtaining sufficient hexane in time to prevent a short shutdown or a slowdown of their crush.

Hexane is a chemical solvent produced by fractional distillation of petroleum. Estimated production of hexane is around 125 million gallons annually of which oilseed processing requires about 40 million gallons or about a third of the production. In the continuous extraction of soybean oil the solvent is used over and over again but the loss runs from 0.5 to over 2 gallons per ton of soybeans processed, averaging possibly 1.2 gallons. It is estimated that soybean processors will require approximately 29 million gallons of hexane solvent in 1974.

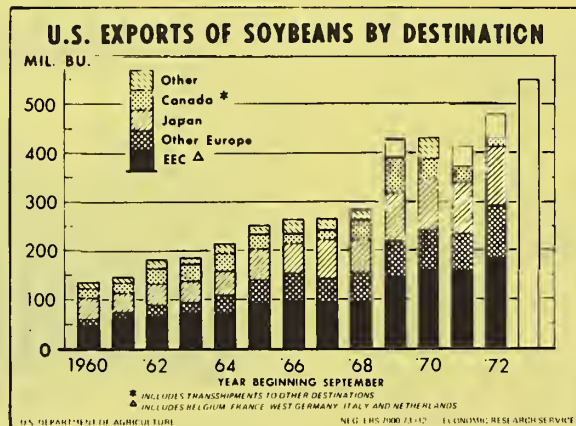
If shortages of fuel or solvents develop in other countries which crush oilseeds, the potential foreign crush could be reduced, and similarly the demand for U. S. soybeans. But this may boost the demand for soybean meal and oil.

### Soybean Exports to Increase; Bunker Oil Shortage A Deterrent

Soybean exports are forecast to total around 525 million bushels in the 1973/74 marketing year compared with 480 million last season. Soybeans and meal exports will increase to provide the meal for expanding demand for high-protein feeds and to replenish the depleted stocks.

Soybeans inspected for export from September 1 through December 7 totaled 142 million bushels, slightly below last year mainly due to the shortage of beans late in the summer and early fall. The export control program for soybeans, begun in July, was terminated the end of September. Exports are expected to pick up sharply over the rest of the marketing year. As of November 25, SRS reported outstanding export sales totaled 396 million bushels for known destinations and another 52 million with destination unknown.

A major uncertainty in the export outlook is the anchovy fishing situation



in Peru, the world's major producer and exporter of fish meal. The Peruvian government halted all exports of fish meal and fish oil at the end of November presumably to conserve very limited supplies for domestic use. Recently, fishing conditions reportedly returned to normal and commercial fishing could be resumed early in 1974 after completion of spawning. Though Peru's fish meal production in 1974 will likely be substantially below normal, it should be appreciably larger than in 1973 and result in increased export availabilities.

A significant new development this marketing year is the reported sale of 33 million bushels of soybeans to the Peoples Republic of China. In previous years the P.R.C. took only a token amount of U. S. soybeans. However, the P.R.C. did take a large quantity of soybean oil (151 million pounds) in 1972/73. In contrast, the USSR has not entered the U. S. market for large quantities of soybeans this season after buying 36 million bushels from us in 1972/73.

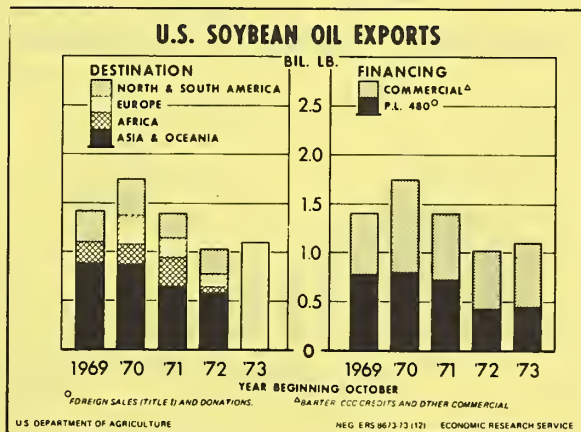
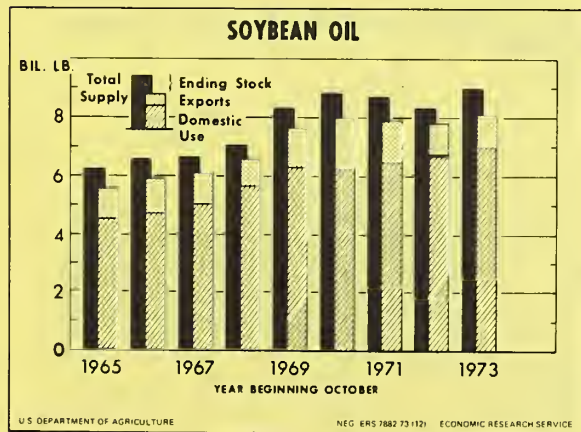
Exports of U. S. soybeans and products could be affected by shipping bottlenecks resulting from fuel shortages. Most grain carrying vessels operate on a diesel-type petroleum derivative called bunker oil. Also, the operation of ships at slower speeds to conserve oil will have some impact on the movement of soybeans abroad.

### Soybean Oil Use to Expand

Soybean oil supplies are projected to be 8.9 billion pounds for 1973/74, up from 8.3 billion last year. Increased production accounts for the gain. Stocks on October 1 totaled 516 million pounds (crude and refined), down nearly 300 million from a year earlier.

Domestic disappearance is forecast over 7 billion pounds, about 0.35 billion more than in 1972/73. Rising demand for edible vegetable oils along with sharply reduced availabilities of butter and lard will boost soybean oil usage. Soybean oil now accounts for more than half of all food fats and oils consumed in the United States and it will probably increase its share further in the years ahead.

Soybean oil exports are projected at 1.1 billion pounds, almost the same as





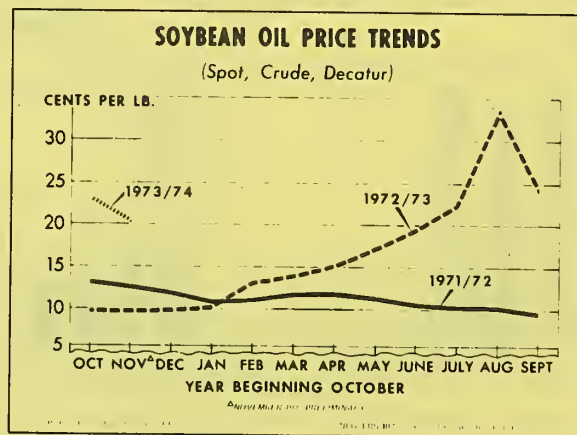
in 1972/73. The sharp increase in exports of U. S. soybeans along with greater world availabilities of other fats and oils will limit the prospects for larger U. S. soybean oil exports. P.L. 480 exports of soybean oil in 1973/74 may not differ greatly from the 430 million pounds shipped in 1972/73. High domestic fats and oils prices and stringent budget limitations are some factors that will influence P.L. 480 decisions in the year ahead.

### U.S. Soybean Oil Exports

Export financing	Year beginning October					
	1968/69	1969/70	1970/71	1971/72	1972/73 <u>1/</u>	1973/74 <u>2/</u>
	--- Million pounds ---					
Barter	75	444	599	202	98	
CCC credit	---	53	209	273	190	
Other	54	145	131	188	350	
Total Commercial	<u>129</u>	<u>642</u>	<u>939</u>	<u>663</u>	<u>638</u>	---
Foreign sales	573	604	564	394	185	
Donations	168	174	239	341	245	
Total P.L. 480	<u>741</u>	<u>778</u>	<u>803</u>	<u>735</u>	<u>430</u>	---
Grand Total	870	1,420	1,742	1,398	1,068	1,100
% P.L. 480	85	55	44	53	40	

1/ Preliminary. 2/ Forecast.

Soybean oil prices (crude, Decatur) averaged 22¢ per pound in October-November compared with 10¢ the same months of 1972. Prices increased to 28¢ in mid-December reflecting low stocks, reduced oil output, and a continuing strong demand for fats and oils. Prices probably will soften as supplies increase and oil inventories are replenished. The extent of the energy shortage obviously will



have some bearing on soybeans crushed, oil produced, and level of prices.

During 1972/73, bean oil prices rose greatly from 10¢ per pound in January to a record 34¢ in August, averaging 16½¢ for the entire marketing year. Soybean and soybean meal prices peaked in June 1973 but soybean oil lagged, peaking in August.

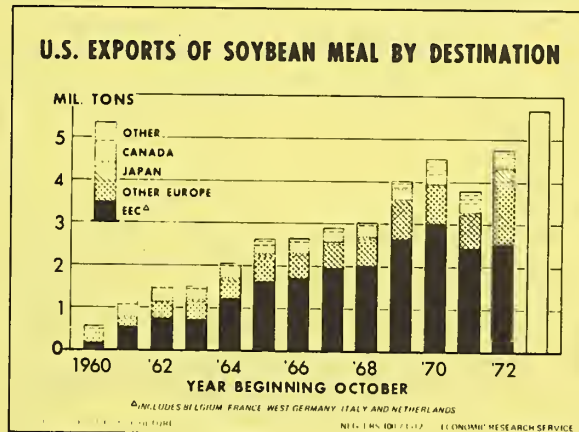
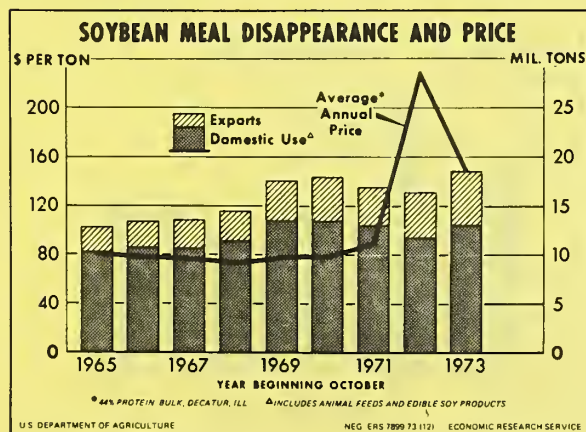
### Soybean Meal Supplies To Increase

Soybean meal supplies in 1973/74 are projected at 18.7 million tons, approximately 1.8 million tons above last season. Domestic use probably will increase to about 13 million tons, up 1 million tons from 1972/73. Some expansion in livestock and poultry production, more favorable feeding ratios, and higher feeding rates all point to increased requirements.

Also, apprehension about urea availabilities is reportedly causing some feedlot operators to switch back to meal usage. With supplies of other protein meals recovering, soybean meal is still the major high-protein supplement available for both domestic and foreign use.

Domestic feeding of soybean meal has declined each year since the record 13½ million ton total of 1969/70. On a high-protein consuming animal unit basis, the rate dropped from 197 pounds in 1969/70 to 172 pounds in 1972/73. A slight increase from last year's level is projected for 1973/74. High soybean meal prices and short supplies undoubtedly limited usage last year, and it may take a while at lower price levels to "buy back" that portion of the domestic market.

Soybean meal exports are projected at about 5½ million short tons compared with last year's 4.7 million. Expanding requirements for high-protein feeds as a consequence of slightly larger livestock and poultry production and higher feeding ratios abroad will bolster demand. The level of Peruvian fish meal exports, Brazilian soybean and meal exports, and Indian peanut meal exports in 1974--all probably higher than in 1973--will play an important role in our ability to ship soybeans and soybean meal. Probably the most important single factor in 1972/73 was the short supply of fish meal, caused by Peru's difficulties with its anchovy fishing operations. As of November 25, SRS reported outstanding export sales of 4.9 million metric tons of meal for known destinations





and 1.1 million with destination unknown.

Shortages of fuel in important poultry producing countries such as the Netherlands, Denmark, and West Germany could be a limiting factor in the 1974 production of chicks for broilers and layers, and therefore could adversely affect the demand for protein-meal. Shipping difficulties are hampering the movement of some feeds, such as tapioca from Thailand to Western Europe. A reduced supply of carbohydrate feeds would in turn reduce the demand for soybean meal in countries like the Netherlands.

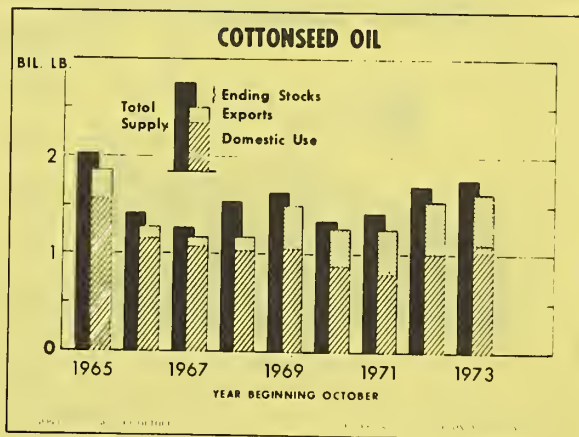
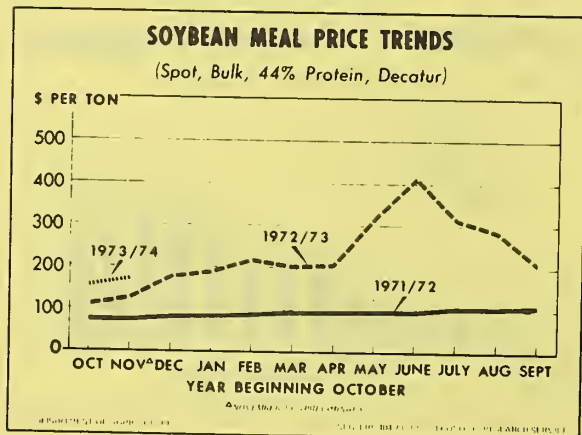
Soybean meal prices (44% protein, bulk, Decatur) dropped since late summer--from around \$200 per ton to about \$162 average in October-November. But prices in mid-December were back up to \$194 per ton as demand picked up for the reduced supply. Also, the fear of urea shortage may have stimulated the buying of cottonseed and soybean meal.

Soybean meal prices reached historic heights last season. They leaped from \$109 per ton in October to \$219 in February 1973, before tapering off slightly in March. Thereafter they moved up sharply again, reaching a peak of \$413 in June. For the 1972/73 season they averaged \$229 per ton, more than double the previous year. Short world supplies of high-protein feeds and strong demand forced up the prices.

### Cottonseed Prices Are Strong

Cottonseed supplies during 1973/74 total 5.8 million tons, about 2% above the previous year. Larger carryover more than offset a slight decline in output. The 1973 cottonseed crop is estimated at 5.3 million tons, about 3% below 1972. Carryover on August 1 totaled 508,000 tons, more than double a year earlier.

Cottonseed crushings are expected to total about 5.2 million tons, up from the 4.9 million of 1972/73. Despite reduced seed production, crushings will increase because of the larger carryover. Last season, crushings lagged because of delays in harvesting the 1972 cotton crop and the crushing of soybeans by many cottonseed mills before they handled cottonseed. This season's crush will produce nearly 1.7 billion pounds of cottonseed oil and around 2.4 million tons of cottonseed meal.



Despite slightly larger supplies, cottonseed prices to farmers are high, averaging about \$100 per ton this season, more than double a year ago. Prices are strong, reflecting increased demand for cotton linters, cottonseed oil and meal.

### Cottonseed Oil Supply Largest Since mid-1960's

Cottonseed oil supplies total an estimated 1.8 billion pounds in 1973/74, about 100 million above last year and the largest since the mid-1960's. Larger production will account for the increase.

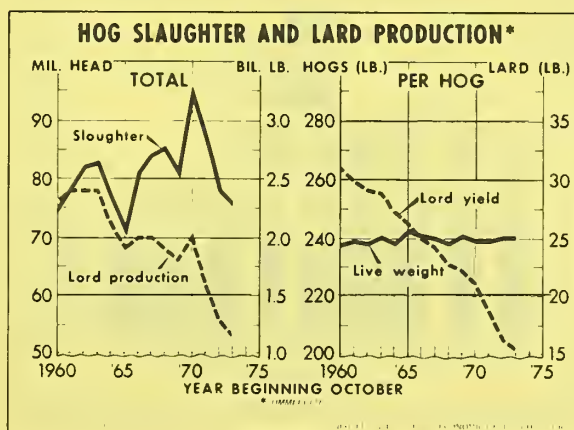
Domestic use may reach over 1 billion pounds, up slightly from 1972/73 and sharply above the record low of 0.8 billion of 1971/72. The larger supplies and strong demand for vegetable oils will contribute to the gain. Although prices will be high, they will be competitive with other major food fats.

Exports of cottonseed oil are forecast to total about the same as the 582 million in 1972/73. Based on SRS reports through November 25, outstanding export sales of cottonseed oil totaled 253 million pounds. Most of this volume is scheduled for Africa (Egypt), Japan, the European Community, parts of the Western Hemisphere, and Asia and Oceania. About 16 million pounds of the total volume are for unknown destinations.

Cottonseed oil prices are high, reflecting the good domestic demand for vegetable oil and the effects of the dislocations of supplies and prices which occurred last season. During August-November, prices (crude, Valley) averaged 24¢ per pound, about  $2\frac{1}{2}$  times the level of a year ago. In mid-December prices were around 27¢ per pound. Cottonseed meal prices have fluctuated sharply this marketing year, averaging \$170 per ton (41% protein, expeller, Memphis). Prices in mid-December were \$180 per ton. Cottonseed meal usage is expected to total about  $2\frac{1}{2}$  million tons--most of this will be fed domestically.

### Lard Output to Drop Again

Lard production in the marketing year started October 1 is expected to continue its downward skid and total around 1.2 billion pounds--about 7% below last season. Smaller hog slaughter and continuing declines in lard yields per





hog account for the reduction. Last season, yields dropped to 16.4 pounds per hog, down about  $2\frac{1}{2}$  pounds from the previous year.

Domestic use likely will total 1.1 billion pounds, down from the 1.2 billion of the previous year. Use probably will be down in all the major categories--in direct use as well as in shortening and margarine--as the tight supplies limit use.

Lard exports will do well to reach 100 million pounds, compared with the 126 million of last season. Over the past decade or so, the United Kingdom has been the only major foreign market for U. S. lard. With the U. K. entry into the European Community last January and discontinuance of the U. S. lard export payment program at about the same time, U. S. lard has lost a large part of this market to lard from the Continent. U. S. exports declined from 637 million pounds in 1963/64 to last season's low level.

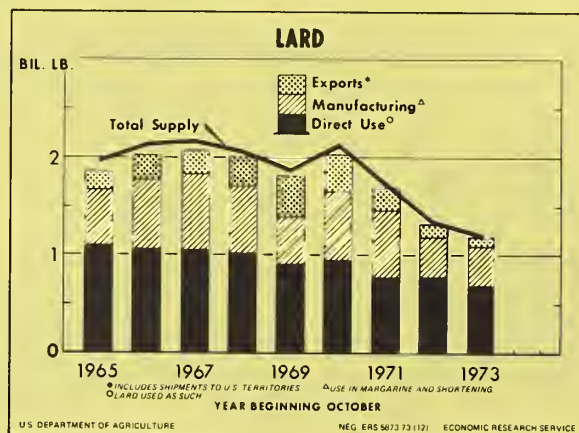
Prices (tanks, loose, Chicago) last season reached record heights, rising from about  $9\frac{1}{2}$ ¢ per pound in January to 38¢ in August. For the year they averaged  $16\frac{1}{2}$ ¢, the highest since 1947/48. Although prices still are strong, they have come down from the recent highs. Prices during October-November averaged 27¢. They are expected to continue high, reflecting the tight supply situation, but probably will moderate along with other food fat prices.

#### Flaxseed Supplies Record Low; Prices Strong

Flaxseed supplies for the 1973/74 season total 19 million bushels--about 43% below last season and the smallest of record. Smaller carryover--amounting to only  $3\frac{1}{2}$  million bushels--accounts for the reduction as 1973 production of 16 million bushels is up 14%. The small carryover this season is a result of the CCC disposing of its entire stock of flaxseed in 1972/73.

Prices to farmers have been advancing for more than a year--the monthly average moving up from about \$2.50 (the support rate) in June 1972 to \$8.10 this November. Prices are expected to continue strong and may average around \$8 per bushel for the 1973/74 season compared with a little over \$3 a year earlier.

Flaxseed crushings are estimated at around 15 million bushels, down from



the 20 million of last season. During July-October they totaled 7 million bushels compared with  $7\frac{1}{2}$  million for this period a year ago. The small supplies are limiting the crush although world availabilities of flaxseed and linseed oil are tight and demand is strong.

Strong world demand will likely encourage export of any flaxseed or linseed oil not used domestically. However, very little flaxseed has been exported this marketing year to date. With ports on the Great Lakes closed, there will be no export of this year's crop of flaxseed until next spring.

Carryover next June 30 will be drawn down to minimum levels, totaling perhaps only 2 million bushels, approximately one-half the level of June 30, 1973. This compares with the record of nearly 27 million bushels on June 30, 1971.

### Linseed Oil in Tight Supply

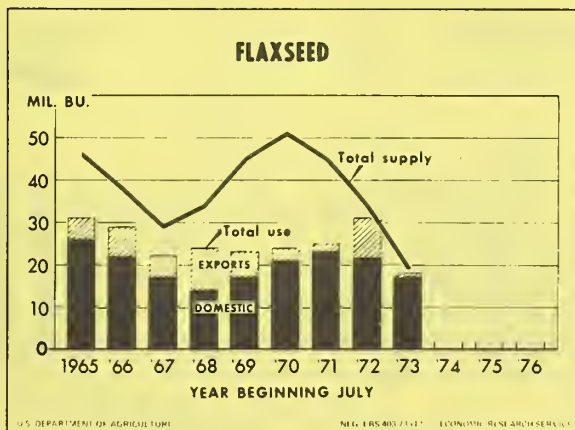
Linseed oil supplies in 1973/74 total just over 400 million pounds, some 250 million below the previous season. Beginning stocks on July 1 were 113 million pounds, 60% below a year ago. Output is expected to total around 300 million, down about a fifth.

Domestic disappearance is estimated at 225 million pounds, nearly 75 million below last season, because of high prices and a slowdown in construction.

Linseed oil exports are expected to be down sharply from the 263 million pounds exported last season, possibly totaling around 125 million pounds. Principal export destinations last season included Poland, USSR, the Netherlands, Japan, and the U. K. These countries accounted for nearly 90% of the total.

As of November 25, SRS reported outstanding export sales of linseed oil of 79 million pounds--49 million to the European Community, 12 million to Japan, and 8 million to Eastern Europe. Exports during July-October totaled 73 million pounds.

Ending stocks of linseed oil next June 30 are projected at only 70 million pounds, down from the 113 million of last June. This would be one of the lowest carryovers in over 50 years. Until last February, CCC owned large stocks of





linseed oil, which it had converted from flaxseed accumulated over past years under the support program. The last of these stocks were sold by CCC in early 1973. Carryover stocks on July 1, 1973, were entirely in commercial hands.

Linseed oil prices (raw, tanks, New York) have been moving up sharply--from 11 $\frac{1}{2}$ ¢ per pound in January 1973 to 39¢ in mid-December--the highest of record. They are expected to continue high in 1974 as linseed oil supplies continue to dwindle.

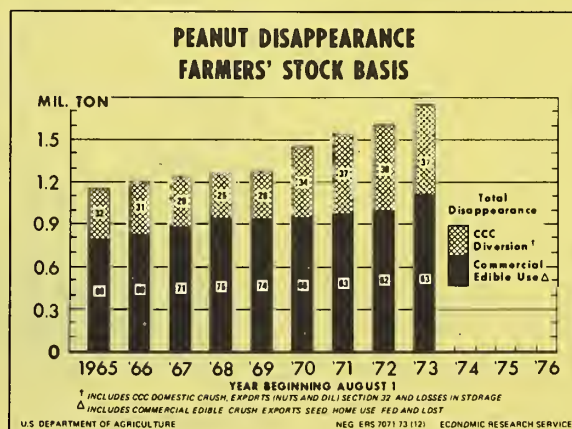
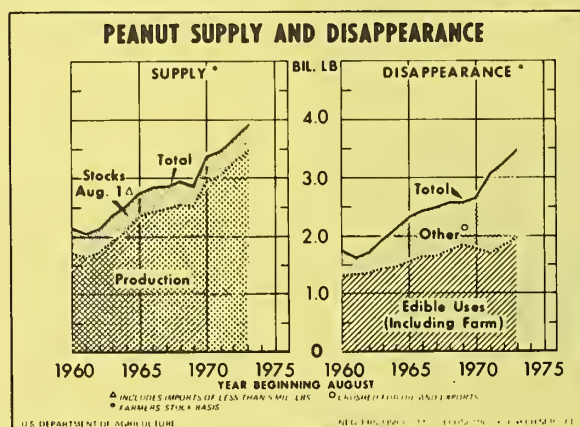
### Peanut Supplies Are Record High

Peanut supplies (farmers' stock basis) this year are estimated at a record 3.9 billion pounds, 7% above last season. The large 1973 crop--estimated at 3.5 billion pounds--mainly accounts for the increase. Production is up 20% in the Virginia-North Carolina area and 3% in both the Southeast and the Southwest areas. A national yield of 2,317 pounds per acre tops last year's record high by 114 pounds. U. S. acreage allotments again were at the legal minimum of 1.6 million acres.

The disappearance of peanuts in all food products during 1973/74 is projected to increase some 5 to 6%, totaling 1.8 billion pounds and equal to more than 8 pounds per capita. During August-October total edible uses were up 8% over 1972. Peanuts going into peanut butter--which accounts for over half of all edible uses--was up 15% and peanuts used by salters were up 11%. However, peanuts going into candy was off 7%. Even with modest price increases this year, peanut butter still compares favorably to the cost of other foods.

The projected gain in edible uses will not be nearly large enough to offset the increase in output, and CCC is expected to acquire approximately a third of the crop under the price support program. As a result, a substantial increase in other uses is expected--mainly CCC diversion of peanuts into crushings and exports.

Crushings probably will be near 900 million pounds (farmers' stock basis), up from the 850 million of 1972/73. A crush of this size will produce around 285 million pounds of peanut oil and 190,000 tons of cake and meal. Although crushings vary from year to year, they are trending upward, reflecting increasing



production in excess of commercial edible requirements. Crushings have just about tripled since the early 1960's when they totaled about 300 million pounds.

Exports are expected to increase from last year's 521 million pounds (farmers' stock basis) to nearly 700 million. This outlet also has registered a dramatic increase, rising from as little as 34 million pounds in 1961/62 to well over 500 million pounds in recent years. Western Europe, Canada, and Japan are the major importers of edible peanuts. Export promotion efforts by the peanut industry and USDA have focused on the edible market.

Prices received by farmers for 1973-crop peanuts are averaging 16¢ per pound, and for the season probably will average near the support level. The 1973 price support is \$328.50 per ton (16.42 cents per pound), \$43.50 above the previous season.

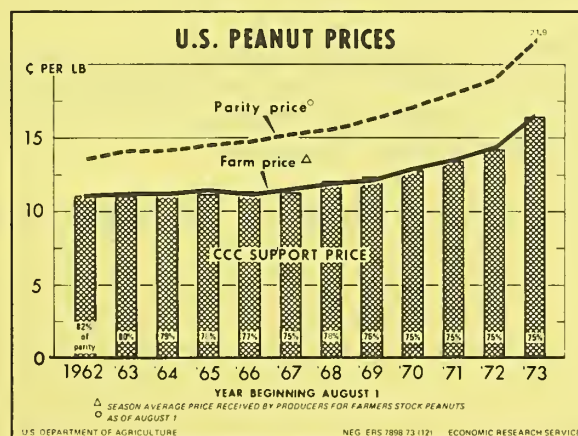
### Changes to Affect 1974 Program

On October 24, 1973, the Secretary of Agriculture announced the 1974-crop peanut program which contained administrative changes aimed at reducing the program's cost. The national allotment is 1,610,000 acres, the minimum permitted under the Agricultural Act of 1938, as amended. Under current legislation acreage allotments must be determined from marketing quotas when approved by growers. In a referendum held in December 1971, growers approved marketing quotas for the 1972, 1973, and 1974 peanut crops. Quotas have been in effect each year since 1949.

Under the new program provisions, the Secretary said that the cost of the peanut price support program for 1974 will still be as high as or higher than the \$70 million estimated cost of the 1973 program. CCC costs from 1967 through 1971 totaled \$237 million.

The following administrative changes in the 1974 peanut program are expected to lower costs by an estimated \$6.6 million:

---No price support will be available for peanuts found to contain aflatoxin.





---Transfers by lease, sale or by owner privileges, now permitted for acreage allotments, will be eliminated, resulting in slightly reduced peanut acreage.

---An increase of \$2 per ton will be made in storage, handling, and inspection charges (from \$15 to \$17 per ton) to producers in order to recover more of CCC's outlay for these charges.

---No tolerance will be allowed in program compliance determinations relating to measured acreages.

The CCC's minimum sales policy for peanuts acquired under the loan has been revised to provide a minimum resale level of 115% of the loan rate plus carrying charges on both domestic edible and diversion sales. Most CCC sales have been on a bid basis at prices below the loan rate. Field and supervisory price support functions will be transferred from grower associations to Agricultural Stabilization and Conservation Service State and county offices.

Growers who comply with their allotments will be eligible for support through loans and purchases. The preliminary rate--at the legal minimum of 75% of parity--will be announced early in 1974. Noncompliance farmers (those who plant in excess of allotments or without allotments) will receive no support and will incur substantial marketing penalties for any excess peanuts produced.

Proposed legislation (H.R. 11259) cited as the "Peanut and Rice Act of 1973" was introduced on November 6. This proposal would provide four-year programs for rice and peanuts, similar to the programs enacted in the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) for feed grains, wheat and cotton.

Specifically, the proposed bill would:

1. Suspend the present acreage allotment, marketing quota and price support programs for the 1974-77 crops of rice and peanuts;
2. Provide for target prices, loans, freedom to plant, deficiency payments and set-aside provisions similar to P.L. 93-86;
3. Remove the mandatory planting requirements on approximately 3.2 million peanut and rice acres and introduces flexibility for such land to be cropped in response to the public's demands for additional food supplies.

A similar bill (S. 2742) was introduced in the Senate on November 27.

## NOTES

## Speeches, Articles and Bulletins Available

A free copy of the following releases may be obtained from the ERS Division of Information, Rm. 0054 South Building, U.S. Department of Agriculture, Washington, D.C. 20250:

"Structural Changes in the U.S. Flaxseed-Linseed Oil Industry" by George W. Kromer. Reprint from *Fats and Oils Situation*, FOS-264, September 1972.

"U.S. Soybeans and Edible Oils in 1972/73" by George W. Kromer. Speech before the Institute of Shortening and Edible Oils, Inc. Williamsburg, Va., October 20, 1972.

"U.S. Peanut Economy in the 1980's" by George W. Kromer. Reprint from *Fats and Oils Situation*, FOS-265, December 1972.

"Outlook for Oilseeds, Fats and Oils" by George W. Kromer. Speech at the 1973 National Agricultural Outlook Conference, Washington, D.C., February 22, 1973.

"An Economic View of Soybeans and Food Fats in the 1980's" by George W. Kromer. Speech before the Institute of Shortening and Edible Oils, Inc., Scottsdale, Arizona, March 16, 1973.

"U.S. Soybean Economy in the 1980's" by George W. Kromer. Reprint from *Fats and Oils Situation*, FOS-267, April 1973. ERS-518.

"Economic Situation and Outlook for Tallow and Palm Oil in the United States," by George W. Kromer. Paper presented before the American Oil Chemists' Society Symposium on Recent Advances in Lipid Based Surfactants, New Orleans, Louisiana, May 1, 1973.

"Economic Situation and Outlook for Edible Vegetable Oils in the United States" by George W. Kromer. Speech before the Potato Chip Institute International in Huron, Ohio, June 11, 1973.

"Potential for Oilseed Sunflowers in the United States," by W. K. Trotter, H. O. Doty, Jr., W. D. Givan, and John V. Lawler. AER-237, February 1973.

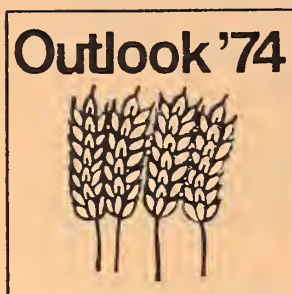
"Food fat Consumption: More Now and in the Future" by George W. Kromer. Paper presented at the Symposium on Fats and Carbohydrates in Processed Foods, sponsored by the American Medical Association, Regency Hyatt House, Chicago, Illinois, October 1, 1973. 27 pages including Statistical Appendix.

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## FREEZER FOOD CONCERNS

Talk by Josephine H. Lawyer

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 9:45 A.M., Wednesday, December 19, 1973

Freezer food concerns are related to rising living costs, selling practices of freezer food firms, and consumer competency.

Rising living costs and inflation are affecting consumer buying, and many families have made changes in 1973. More families stored food, and supplies of canning jars and freezers were depleted in some areas at times. The trend to store food with the intent of extending economic resources is expected to continue in 1974.

Families considering buying freezers and food for freezer storage need to be well informed about:

- . the cost of owning and operating a freezer,
- . how to use a freezer to advantage,
- . how and when to select food (particularly meat) for freezing, and
- . market practices in selling freezers and freezer food.

The magnitude of freezer food concerns might be compared to an iceberg--only the "tip" is seen while the mass is hidden below the surface. Only a small proportion of the problems with freezer meat and freezer food plans is reported. There is evidence that misleading advertising about freezer meat and misinformation about freezer food plans are continuing.

This paper will address the consumers' right to information so that more intelligent economic and management decisions can be made.

### Freezer Meat Concerns

Consumers may have problems with freezer meats, and particularly beef, because they do not understand quality and yield grades, meat cuts, supply changes during a calendar year, and misleading advertising.



Beef quality grades range from USDA Prime, which is highest, to USDA Canner, which is lowest. These indicate degrees of tenderness, juiciness, and flavor. Most beef in supermarkets today is USDA Choice. However, some freezer firms highly advertise meat that is below USDA Choice.

Consumers also need to understand yield grade. Yield Grade 1 reflects the highest yield of closely trimmed retail cuts and the least waste. Yield Grade 5 reflects the lowest yield. It is important to understand this when reading advertising and looking at wholesale cuts.

A 1,000-pound choice steer yields about 600 pounds carcass weight or 300 pounds per side. Each side is divided into a hindquarter and a front-quarter.

The consumer can count on approximately 25-percent waste as a choice grade side is cut into retail or take-home cuts. For example, the consumer paying \$1.00 per pound for a side is actually paying \$1.25 for the cuts he takes home.

Cuts in the hindquarter include the round, short loin, sirloin, rump, flank steak, and ground meat. The short loin is divided into porterhouse, T-bone, and club steaks.

The forequarter includes the chuck, ground beef, rib roast, brisket, and short ribs.

If a consumer uses credit to purchase meat in quantity, the finance charges are also added to determine total cost. Only then would he have an accurate base for comparing prices with those in the supermarket.

Meat supplies differ through a calendar year with more beef and pork available during winter months. When supplies are largest, prices are generally lower than at other times; however, consumer demand and preference for specific cuts also affect price.

During February and March, or any week in winter when steaks are on "special," a consumer could save money by freezing them for summer use. He could buy and freeze the capacity his home freezer would accommodate on Thursday, Friday, and Saturday of that week.

This same principle applies in summer when few people are interested in chuck roast. Consumers will find chuck and perhaps other long cooking roasts at lower prices in July and August.

Chicken supplies are relatively constant; however, consumers may save by watching for "special" prices and freezing a supply at those times.

Another factor in making a decision to buy meat for freezing is the space available. A consumer needs about 3- $\frac{1}{2}$  cubic feet of freezer space to store 100 pounds of meat. A side of beef may be stored in a full-sized freezer, but it might not fit into a refrigerator-freezer combination.

Other questions are: How much can a family afford to invest all at once for meat? And is the family willing to eat all the retail cuts from a wholesale cut it might purchase for freezing?

Freezer meat sales can be reliable, or very misleading, dependent upon the owner-operator. Some firms have processed and sold freezer meat successfully over a number of years in their respective communities. Satisfied customers, service, and reputable business ethics are reasons for their success.

The uninformed consumer, at all income and education levels, can be victimized by unethical firms. Some of the practices of such firms that consumers need to be aware of are:

- . misleading advertising;
- . bait and switch selling;
- . inadequate information on trim loss, finance charges; and
- . short weight, grade substitution, and failure to deliver some cuts.

Misleading advertising usually sounds too good to be true--and this should be a warning. For example: "beef sides," "freezer packs," "free," "special bonus," "bundles," "no money down" tell the consumer little about what he will get or how much he will pay.

A Federal Trade Commission survey of freezer meat firms in early 1973 indicates a significant prevalence of misleading advertising across the Nation. The extent of such advertising indicates that many consumers are unaware and uninformed.

When the consumer arrives to see the meat advertised at low prices, he may be switched to other higher priced meat. These methods are used to switch him to more expensive meat:

- . refusal to sell or show that advertised;
- . disparagement;
- . failure to have sufficient quantity;
- . refusal to deliver in a reasonable time;
- . defective, unusable, or impractical product; and/or
- . a sales plan which discourages selling the advertised product.

The advertisement of "low-priced" meat may be of low quality grade and low yield grade--undesirable in appearance and appeal to the prospective customer. He may then be shown meat of higher quality and of a higher price.

Information given the consumer may be confusing. It is difficult to know how much he is paying for beef when buying a "bundle" or paying for the "hanging weight" and getting additional "bonuses" of chicken, bacon, etc.

Delivery problems with unscrupulous freezer meat firms involve delivering product of lower value than the customer was led to believe he was purchasing, removal of some of the preferred cuts, a larger proportion of cuts from one quarter than actually available from that quarter, and short weight.

Consumers are reluctant to report problems they encounter when buying freezer meat. They are somewhat embarrassed to admit their incompetency in getting involved.

The Federal Trade Commission indicates that consumers most often complain about finance charges of freezer food concerns. The annual percentage rate is usually higher than what they might have paid had they borrowed the money from some other source.

#### Freezer Food Plans

The quality of freezer food plans varies, but they generally involve the sale of a freezer along with frozen foods at "discount" prices. Usually a package program is sold. Such a package might include the freezer, "free" cookware, and a "lifetime" membership allowing the customer special discounts on food purchases. These plans also involve finance charges.

Consumers investing in such plans usually pay more for the freezer than for one of comparable size and quality from a department, appliance, or mail order store.

The "lifetime" agreement may represent the period of time the firm is in business in that particular area.

Consumer complaints about these plans include late or irregular delivery dates; overall costs (freezer, food, and financing); inadequate to furnish the family's food needs; the quantity or weight delivered; and variation between quality ordered and that received.



Families buying freezer food plans have a substantial investment in equipment and food far into their future. Before becoming committed to the financial obligations, it is important that they

- . consider other alternatives for buying food,
- . compare freezer costs and the cost of operating a freezer,
- . investigate credit availability and costs from other sources, and
- . analyze whether they can afford the costs and time payments.

### Consumer Protection and Recourse

Reliable business and consumers have a right to protection from unethical business. Starting at the local level, misrepresentation and questionable practices should be reported as written complaints to better business bureaus, consumer affairs offices, city/county attorneys, department of weights and measures (if applicable), etc.

If State consumer protection laws are insufficient, consumers can work with local government to pass ordinances controlling unethical business practices. Consumers can also work to get needed State consumer protection legislation. Within State government, consumers may direct concerns to the division of consumer protection in the State attorney general's office, the department of agriculture and the department of health, if applicable.

If interstate commerce is involved, the Federal Trade Commission is responsible for regulating false and deceptive advertising and selling practices, while the U. S. Department of Agriculture is the agency with authority over sanitation, wholesomeness, inspection, and grading of meat and poultry products.

In the future many families will be interested in exploring whether or not they can save money by storing food. If they choose to freeze food, it is important that they make informed decisions--that they

- . Deal with reliable business when selecting food, a freezer, or both.
- . Freeze foods which the family prefers and will eat.
- . Freeze foods that will save the most money.
- . Understand seasonality of meat, fruits, and vegetables, and take advantage of supplies and prices.
- . Know the freezing capacity of their appliance and adhere to it when buying food for freezing.

It is important that a consumer recognize misleading advertising and selling practices in freezer meats and freezer food plans which may exist in his community. The consumer's right to information on which to base economic and management decisions is automatically cancelled if he is unaware and uninformed of marketplace problems.

## References

1. "Buying Beef For Your Freezer" - Self Teaching Program (without slides), Cornell University, Mailing Room, Building 7, Research Park, Ithaca, New York 14850. \$1.50.

Complete Program Kit with 40 35-mm color slides, Cornell University, Visual Communications, Communication Arts, 412 Roberts Hall, Ithaca, New York 14850. \$10.00

2. . Bargain? Freezer Meats. Transparency Masters  
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3. . "How To Buy Meat For The Freezer" - HG 166, 20¢.  
    . "How To Buy Beef Steaks" - HG 145, 10¢.  
    . "How To Buy Beef Roasts" - HG 146, 10¢.  
    . "How To Buy Lamb" - HG 195, 15¢.  
    . "USDA Yield Grades for Beef" - Marketing Bulletin 45, 15¢.

Consumer and Marketing Service, USDA. For sale by Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.

4. USDA Color Film - "Buying Meat For The Freezer" - 4 min. 13 sec.  
Cooperating Film Libraries located at land-grant universities.





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## UNITED STATES DEPARTMENT OF AGRICULTURE Economic Research Service

### OUTLOOK FOR WHEAT

Talk by Frank Gomme

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 10:15 A.M., Wednesday, December 19, 1973

The 1973/74 wheat picture is highlighted by a record crop, near record disappearance, record prices, and prospects for the smallest stocks in over 2½ decades.

#### Supply

Wheat supplies in 1973/74 at 2,142 million bushels are down from a year ago as sharply lower beginning stocks more than offset a record 1973 harvest. Farmers reaped a record 1,711 million bushels from 53.9 million acres. Harvested acreage surged 14% this year while yields dropped from the 32.7 bushel level of 1972. July 1 stocks totaled only 430 million bushels, smallest since 1967.

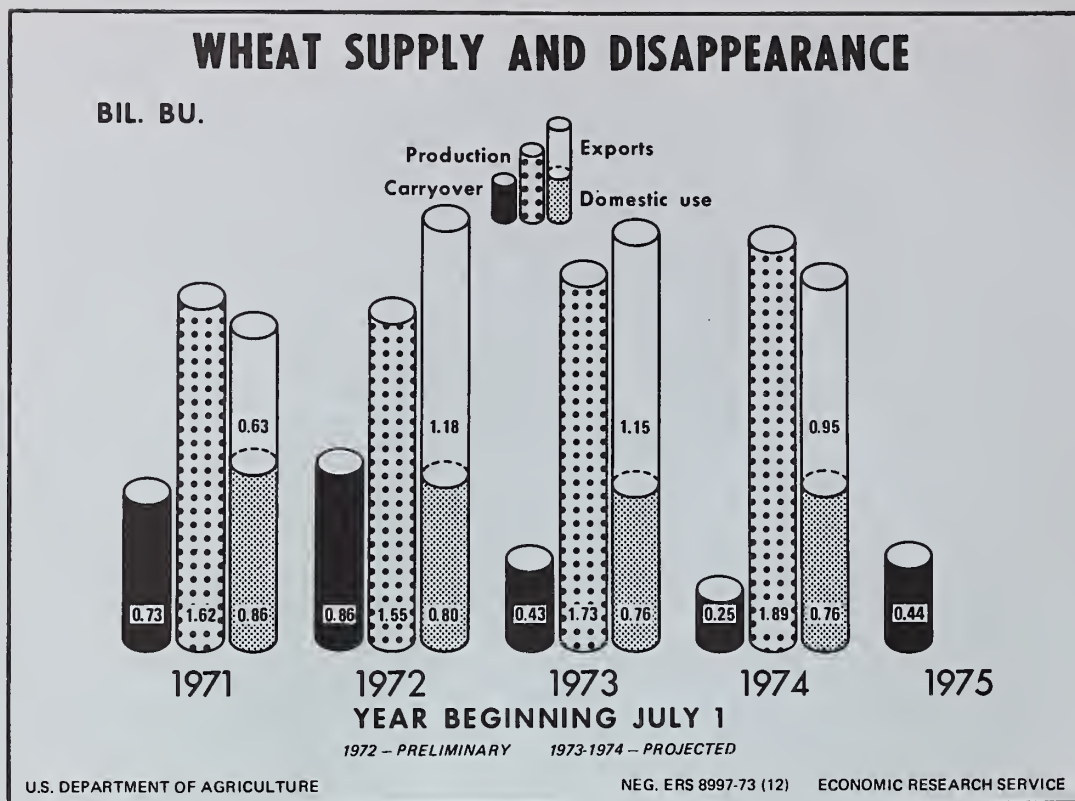
#### Disappearance

Wheat usage in 1973/74 appears to be pulling back slightly after reaching a record of nearly 2 billion bushels a year ago. High prices are cutting into wheat feeding and this decline more than offsets some pickup in food and seed use. U.S. exports for the 1973/74 marketing year are estimated at 1,175 million bushels, nearly up to last season's record. World import requirements remain strong this season.

This demand led to phenomenal early season sales and shipments. Exports, averaging 28 million bushels on a weekly basis, already total over 600 million bushels for the first 5 months of the crop year. At this level they already exceed any full-year export total during the 1950's and are rapidly approaching a level that was accepted as a good export year during the 1960's.

The pace of 1973/74 wheat shipments will slaken as the navigation season for the Great Lakes closes and exporters begin to ship new crop corn, sorghum, and soybeans. As of November 25, reported undelivered export sales totaled

(NOVEMBER ESTIMATES)



522 million bushels, and 187 million bushels were reported to unidentified destinations.

Disappearance for the season may total near last year's record of 1,979 million bushels. This exceeds the record 1973 crop of 1,711 million, so another sharp reduction in stocks is likely. Carryover by next summer may fall to around 210 million bushels, smallest since 1948.

This level would indicate an extremely tight supply situation until new crop wheat becomes available. Normally by July 1 a substantial portion of the new winter wheat crop in the Southern Plains and the Southeast is available for marketing. However, new crop supplies of white wheat in the Northwest and spring wheat are usually not available for another month.

#### Prices

Heavy early season export sales, processor demand, and transportation bottlenecks which still restrict potential marketable supplies were responsible for a rapid price runup. In mid-September farm prices crested at a record \$4.62 per bushel. Pressured by reports of generally larger than anticipated world grain supplies, the announcement by the Soviet Union of a record grain crop, and export uncertainties emanating from the Middle East conflict, prices receded slightly in October and November.

Prices should remain high for the remainder of the year and fluctuations will hinge on the fulfillment of forecasts for a record world harvest, prospects for the 1974 U.S. grain crops, and the ultimate level of U.S. wheat exports.

## OUTLOOK FOR 1974/75

Current high wheat prices, prospects for another strong demand year, along with no planting restrictions are expected to result in a 10 to 15% expansion in wheat plantings. Wet weather in the Plains has delayed plantings and necessitated some reseeding of winter wheat. The delayed seeding and the inability to use sufficient fertilizer may tend to lower yields. However, the early condition of the winter wheat crop is good. Late fall rains broke the long drought in the Pacific Northwest and most stands of wheat are currently in good condition. Wheat acreage in the Eastern wheat belt is reported to be substantially higher and conditions are indicated as good to excellent in most areas.

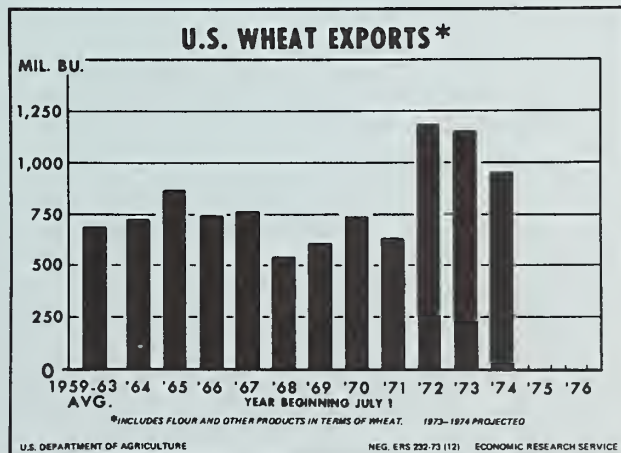
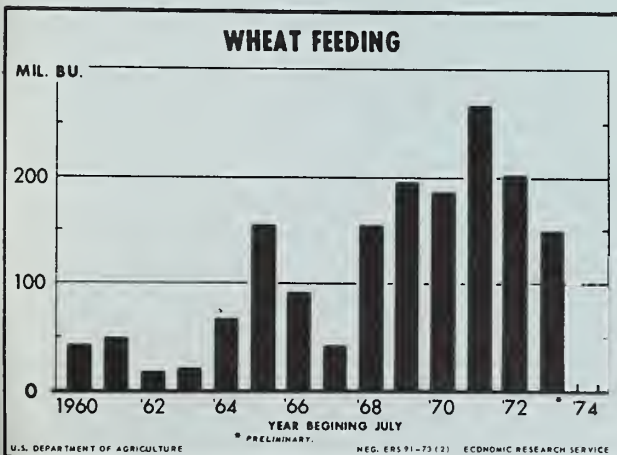
Assuming world grain supplies return to more normal levels, total U.S. wheat disappearance in 1974/75 could be down substantially. Projected exports at 950 million bushels would be down around a fifth from this year.

If yields are on trend, the 1974 U.S. wheat crop could reach a record 1.9 billion bushels, substantially above estimated disappearance. Thus, carryout in the summer of 1975 would increase around 200 million bushels to 416 million. Should this occur, prices would likely soften considerably but still remain quite high in relation to the levels of the late sixties and early seventies.

## WHEAT CLASSES

### Hard Red Winter

HRW wheat supplies at the beginning of the 1973/74 crop year were the smallest since 1968. This occurred in spite of a record harvest of 959





million bushels. In the face of this year's smaller supply, demand continues strong. Reports to date indicate that exports could exceed last year's record 700 million bushels.

Domestic use is likely to continue near last year's 332 million bushels, as the lower prices for HRS relative to HRW encourage continued substitution and the sharp climb in wheat prices discourages wheat feeding. By the summer of 1974, HRW stocks may plummet to less than 100 million bushels, the least in 22 years. However, new crop wheat will be available in May and June to supplement these low stocks.

#### Soft Red Winter

Beginning supplies of SRW at 165 million bushels were the smallest since 1957. Adverse weather plagued the 1973 crop from start to finish.

Domestic users of SRW in 1973/74 are faced with some questions about the adequacy of supplies as a result of heavy early season export sales. Rapidly rising prices have rationed supplies among the many users. Export demand has weakened and may total only a third of last year's 68 million bushels.

Although stocks will be drawn down to bare pipeline levels by the summer of 1974, early new crop wheat will be available in some areas in late May and early June.

#### Hard Red Spring

This fall saw the wrap-up of a large, high-quality HRS harvest. This helped to offset the effects of last year's sharp reduction in carryover.

However, early 1973/74 indications point to another year of heavy exports and a vigorous demand for blending domestically. Thus, supplies will likely continue to tighten and carryover stocks will fall again. In contrast to the winter wheats, HRS supplies must stretch into August before new crop supplies become readily available.

#### Durum

A good 1973 harvest partially offset sharply reduced stocks, resulting in 1973/74 supplies only about 20 million bushels below last year's 142 million.

The 1973/74 crop year for durum thus far has been highlighted by a scare that apparent export demand was so strong that supplies for domestic milling could be in deficit. In addition, the general price increases for competing foods heated up the domestic demand for durum. This set the stage for a most dramatic market performance. In the July-August period, durum prices nearly tripled, soaring to over \$9.00 per bushel. Prices have retreated some but concern still persists about adequacy of supplies.

## White Wheat

A weather-plagued crop and sharply reduced stocks plunged white wheat supplies for 1973/74 to their lowest level since the early 1960's.

The smaller supplies and higher prices will likely cut into domestic use again this year. White wheat exports are also likely to drop from last year's total of 151 million bushels. With the smaller crop about offsetting the slump in usage, stocks in the summer of 1974 may be down substantially from the 19 million bushels of last summer.

Concern about new crop supplies held white wheat prices at Portland over \$3 per bushel even during harvest. In August, prices climbed to over \$5. Since then, white wheat has been the only class to consistently average around \$5 per bushel.

### WORLD WHEAT OUTLOOK 1/

The 1973 world wheat crop, benefiting from an expanded area and generally favorable growing conditions, may total a record 358 million metric tons, 27 million above last year.

Most of the increase centers in the USSR, the United States, Australia, Canada, and the People's Republic of China. However, recent reports indicate some deterioration in Australian crop prospects. Argentina's production is estimated to be down about 1.4 million tons. Crops will also be smaller in Western Europe, North Africa and West Asia.

Highlighting the production situation was the announcement that the Soviet Union harvested a record 215 million tons of total grain this year. This is 15% larger than the old 1970 record. Preliminary estimates suggest a wheat crop of around 105 million tons, 5% above the 1966 record and about a fifth above last year's crop.

Despite the record crop, world import demand for 1973/74 is expected to continue around last year's record 71.0 million tons. Since the traditional exporting countries account for a good portion of this year's production spurt, the strength in import requirements is due to crop shortfalls or demand growth in the importing countries.

The rapid ascent of U.S. wheat prices in July and August was quickly and fully reflected in similar movements in world markets. Prices have moderated but in November they were still averaging in excess of \$5 per bushel, double the year-ago levels.

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1/ All units are metric unless noted otherwise.

## Wheat: Supply, disappearance, acreage and prices, annual 1971-74

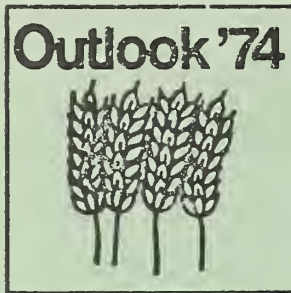
Item	Year beginning July			
	1971	1972 (Preliminary)	1973 (Projected)	1974 (Projected)
<u>Supply and Disappearance</u> (Million bushels)				
<u>Supply</u>				
Carryover July 1	731	863	430	212
Production	1,618	1,545	1,711	1,894
Imports 1/	1	1	1	1
Total	2,350	2,409	2,142	2,107
<u>Disappearance</u>				
Food 2/	526	526	528	530
Seed	63	66	77	76
Feed 3/	266	203	150	135
Domestic Disappearance	855	795	755	741
Exports 1/	632	1,184	1,175	950
Total Disappearance	1,487	1,979	1,930	1,691
<u>Carryover June 30</u>	863	430	212	416
<u>Acreage and Yield</u> (Million Acres)				
Acreage Allotment	19.7	19.7	18.5	55.0
Acreage Planted	53.8	54.9	59.0	---
Acreage Harvested	47.7	47.2	53.9	---
(Bushels)				
Yield per harvested acre	33.9	32.7	31.8	---
<u>Price</u> (Dollars)				
<u>Price per bushel</u>				
Loan rate	1.25	1.25	1.25	1.37
Received by farmers	1.34	1.76	3.82	---
Average payment to participants	.54	.47	.21	---

1/ Imports and exports include flour and other products in terms of wheat.

2/ Used for food in the United States, U.S. territories and by the military at home and abroad.

3/ Residual; approximates feed use and includes negligible quantities used for distilled spirits and beer.





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OUTLOOK FOR RICE

Talk by James Naive

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 10:35 A.M., Wednesday, December 19, 1973

The 1973/74 rice year is highlighted by a weather-plagued crop, heavy demand, and record-high prices.

Supply

The 1973 rice crop is estimated at 92.8 million cwt., up 9% from a year ago. Harvested acreage jumped 19%, reflecting two 10% increases in acreage allotments.

Weather plagued the 1973 rice crop through much of the season. The season began with unusually wet weather, including serious flooding in the South. Some allotments were transferred to drier counties, others were not planted. Seedings of the Texas and Louisiana crops were delayed. Harvesting in the South had just started well when tropical storm Delia struck Texas and Louisiana, inundating many fields. The combination of weather factors dropped U.S. rice yields to 4,277 pounds per acre, lowest since 1965.

Heavy exports in 1972/73 resulted in year-ending stocks being drawn down to 5.1 million cwt., less than half the year-earlier level and the smallest since 1962/63. Rough rice stocks, which accounted for 57% of the total, were the smallest on record, emphasizing the tight supply situation. Long grain rice accounted for about 40% of the August 1 stocks, medium grain 29%, and short grain the rest.

The larger crop this year more than offsets the reduced stocks, resulting in a 1% increase in supplies from last year's 97.3 million cwt.

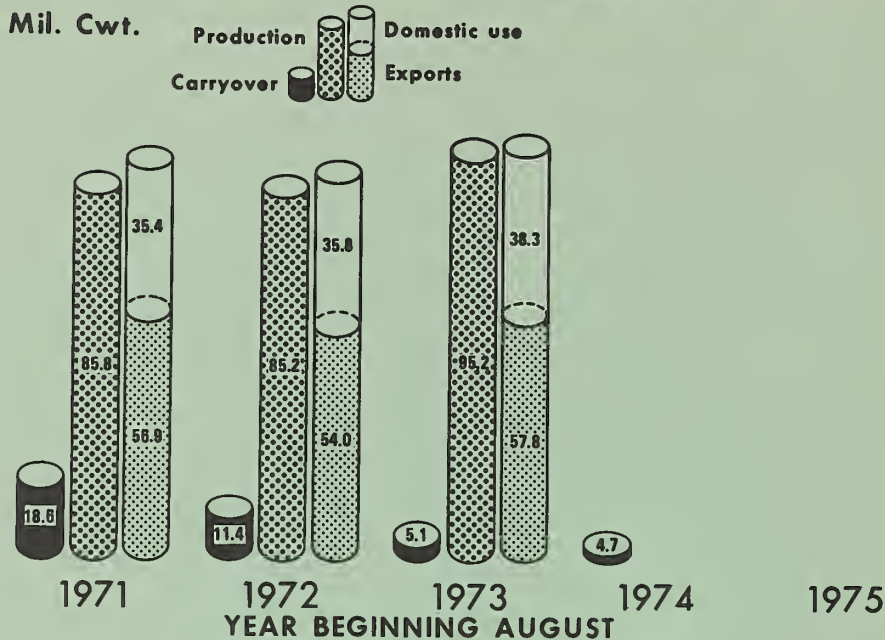
Disappearance

All sectors of domestic use are expected to increase this year. Food use should continue the long-term uptrend with shipments to Puerto Rico



(NOVEMBER ESTIMATES)

## RICE SUPPLY AND DISTRIBUTION \*



1972 PRELIMINARY. 1973 PROJECTED. \*IN TERMS OF ROUGH.

U.S. DEPARTMENT OF AGRICULTURE

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figuring heavily in the rising trend. Higher prices of other foods may also lead consumers to increase rice use. Brewer use of rice is expected to continue its expansion in 1973/74. Seed use will rise, reflecting the projected sharp expansion in acreage next year.

World rice supplies at the start of the August-July marketing year were probably the tightest on record. The poor Asian rice crop in 1972 left Asian exporters with little rice available for export this past summer and with import demand very strong, U.S. rice exports were off to a good start.

U.S. rice exports after the first of the year will be partly contingent on the size of the 1973 Asian rice crop, not only in the importing countries but also in the exporting countries of Thailand and Burma. However, because import demand is expected to continue strong, improvements in world rice supply conditions may affect prices of export rice more than level of shipments. On any account, U.S. rice exports in 1973/74 are expected to reach a near record 55.4 million cwt. As of November 25, undelivered export sales for 1973/74 totaled around 16 million cwt., rough rice equivalent.

With total rice disappearance for 1973/74 projected at 93.7 million cwt. compared with a crop of only 92.8 million plus small imports, stocks are destined to fall again. At around 4.7 million cwt. by August 1974, they would be the smallest since 1952.

### Prices

The extremely tight supply situation and delayed harvest were quickly reflected in early new-crop farm prices. In mid-August the farm price averaged \$10.70 per cwt., almost double a year ago. By November prices had soared to a record \$17.10 per cwt. Prices may weaken later in the season if Asia harvests a good rice crop, but for the full year will likely average close to double the \$6.07 per cwt. loan rate.

### 1974 Program

Details of the 1974 rice program were announced in late October. They include the lifting of marketing quotas for 1974 crop rice, a reduction of the national acreage allotment to 1,652,596 acres, and a national average loan and purchase rate at the minimum level of 65% of parity. It was also estimated that rice farmers, without quotas, might increase planted acreage by almost a third, resulting in a record 1974 rice crop.

### World Rice Situation 1/

A substantial increase is projected in world rice production for 1973/74. Assuming continued favorable weather conditions in Asia, the world crop should total about 302 million metric tons, 7% above a year ago. Output in most major producing countries is expected to recover to 1971 levels and record crops may be harvested in Thailand, Bangladesh, Italy, Philippines, and the PRC.

The current world rice market is characterized by a low level of supplies and strong demand that have combined to push prices to record levels. Although world production was down only by about 5% in 1972, below normal production throughout most of the Asian countries had a profound effect on the world market. In particular, production fell by 12 and 16%, respectively, in Thailand and Burma, and exports from these two countries, which supply about 36% of the rice moving in world trade in 1972, have been severely limited in 1973.

The expected record world production for 1973/74 should soon begin to relieve the extremely tight situation, allowing some recovery of working stocks in importing countries and avoiding the need for any further draw-down on the present low rice stocks in exporting countries. Import requirements in 1974 in many countries will remain high. It will take another good crop in 1974 before recovery from the poor 1972 crop can start and before enough rice will be available to replenish stocks to desired levels.

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1/ Northern Hemisphere crops harvested during July-December are combined with Southern Hemisphere crops harvested during January-June of the following year.

Table 1.--Rice, rough equivalent: Supply, distribution and prices  
United States, average 1965-69, annual 1970-73 <sup>1/</sup>

Item	Year beginning August				
	1965-69 average	1970	1971	1972 <sup>2/</sup>	1973 (Proj.)
	- - - - Million cwt. - - - -				
<u>Supply</u>					
Carryover August 1	9.5	16.4	18.6	11.4	5.1
Production	89.3	83.8	85.8	85.4	92.8
Imports	.2	1.5	1.1	.5	.5
Total supply	99.0	101.7	105.5	97.3	98.4
<u>Domestic disappearance</u>					
Food <sup>3/</sup>	24.6	25.1	25.5	25.1	26.0
Seed	2.8	2.5	2.5	3.1	3.8
Used by brewers	5.6	6.8	7.4	7.6	8.5
Total	33.0	34.4	35.4	35.8	38.3
<u>Available for export and carryover</u>	66.0	67.3	70.1	61.5	60.1
<u>Exports</u>	52.9	4/46.5	56.9	54.0	55.4
Total disappearance	85.9	80.9	92.3	89.8	93.7
<u>Carryover July 31</u>	11.3	18.6	11.4	5.1	4.7
Privately owned--"Free"	(8.5)	(9.2)	(8.7)	(5.0)	
Total distribution	97.2	99.5	103.7	94.9	98.4
<u>Difference unaccounted <sup>5/</sup></u>	+1.8	+2.2	+1.8	+2.4	
	- - - - Dollars per cwt. - - - -				
<u>Price Support</u>					
National average loan rate	4.57	4.86	5.07	5.27	6.07
<u>Price Received by farmers</u>					
Season average	4.96	5.17	5.34	6.73	
<u>Farm price above support</u>	.39	.31	.27	1.46	

<sup>1/</sup> Data apply to only major rice-producing States. Milled rice converted to rough basis at annual extraction rate. <sup>2/</sup> Preliminary. <sup>3/</sup> Includes shipments to U.S. territories and rice for military food use at home and abroad. <sup>4/</sup> Exports adjusted on basis of bills of lading presented to the USDA for payment. <sup>5/</sup> Results from loss, waste, the variation in conversion factors and incomplete data.



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OUTLOOK FOR FRUITS AND TREE NUTS

Talk by Andrew Duymovic

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 1:15 P.M., Wednesday, December 19, 1973

The 1973/74 season is a good year for the fruit and tree nut industries, and consumers of these products are benefiting as well. However, problems do exist. Although this season provided greater quantities of fresh non-citrus fruit, and generally larger packs, supplies of processed non-citrus items are short once again. The U.S. citrus crop for the 1973/74 season is expected to be nearly as large as last season's record breaker, barring adverse weather.

Fruit prices at all levels are high this season relative to a year earlier, reflecting strong domestic and foreign demand. In November the index of prices received by farmers for fruit was 13 percent above a year ago, and is likely to remain above year-earlier levels through this winter.

Retail prices for processed fruit items are expected to advance during the months ahead due to smaller supplies of processed non-citrus products, and increased processing and marketing costs. In addition, consumer demand is strong in both the domestic and foreign markets.

Along with uncertainties regarding required inputs and services for the fruit industry, the current fuel situation has created yet another unknown, particularly concerning foreign demand and shipments to foreign markets which are important to the U.S. fruit industry.

CITRUS FRUIT

December 1 prospects point to a 1973/74 citrus fruit crop approximately 5 percent below last season's record crop. Most of the decrease is expected to take place in Florida--especially in the production of oranges. California also expects a substantially smaller orange crop. Prospects for Arizona and California lemons also point to a smaller 1973/74 crop.



Total orange production for 1973/74 is estimated at 207.6 million boxes, 7 percent less than last season, but still 9 percent above the crop of 2 years ago. About three-fourths of the total U.S. orange crop will come from Florida which expects a 6 percent smaller output this season. A smaller Florida crop is expected for both early, midseason, and navel varieties and Valencias. Prospective production for California is down 14 percent from last season's freeze-damaged crop. A 32 percent decline in the Valencia crop accounts entirely for the drop, while the Navel orange production is expected to be 7 percent larger than a year ago. Arizona's relatively small orange crop is expected to be sharply lower than last season. However, the Texas output, in continuation of an upward trend, is estimated at 8 million boxes, 8 percent more than a year ago.

A record crop of 68 million boxes of grapefruit is expected. This would be up 4 percent from the preceding season. A record 48 million boxes is expected in Florida, 6 percent above a year ago. The prospective crops of pink and white seedless are both at record levels while other grapefruit output is up 3 percent from a year ago. Production prospects for grapefruit in Texas continue the upward trend, 6 percent above last season. In Arizona, which normally produces less than 5 percent of U.S. grapefruit, the crop is also expected to be up 6 percent. However, a moderately smaller crop is expected from California.

Fresh market shipments of the 1973/74 Florida citrus crop started in September, a little earlier than last year. Through early December, Florida orange movement for fresh use approximated last year's pace, but movement to processors was up moderately. Despite a record crop in Florida, grapefruit movement was running behind year-earlier levels. Citrus movement from California-Arizona was also lagging, while shipments of fresh citrus from Texas were approximately at last year's pace.

Opening f.o.b. prices for both Florida and California oranges were moderately to substantially higher than a year ago on a light, early-season volume. But they have declined substantially as marketings have begun to increase in volume. Nevertheless, prices for both Florida and California oranges in early December were substantially above year-earlier levels. Despite a record carryover of frozen concentrated orange juice, orange prices through this winter may average slightly to moderately above year-earlier levels. Even with a larger grapefruit crop in prospect, early December f.o.b. prices were near year-earlier levels. This season's grapefruit prices may remain near 1972/73 levels if a smaller carryover of some items stimulates processor demand for new crop fruit and if fresh grapefruit exports keep increasing.

The 1972/73 Florida pack of frozen concentrated orange juice was a record 176 million gallons, up nearly a third from the previous season's output. An increase in the volume of oranges used for frozen concentrate and a higher juice yield per box of fruit produced the larger pack. Demand for frozen concentrate has been very strong. Total movement last season reached a record of 160 million gallons, up 14 percent from a year earlier, but packers' stocks remain sharply above a year ago. Carryover stocks of canned orange products at the beginning of the season were also up considerably. Thus, the general inventory situation will moderate the effects of the anticipated reduction in 1973/74 canned and frozen orange output in view of an expected smaller crop. So far this season

canned orange product pack has been below a year ago. Consumption of chilled orange juice has also shown substantial gains during the past season and further growth in demand for this product are anticipated.

Carryover of frozen concentrated grapefruit juice in Florida was 24 percent larger than a year ago, but the beginning stocks of canned grapefruit products were below year-earlier levels. However, with a record grapefruit crop for the 1973/74 season in prospect, the total supply of processed grapefruit products is likely to be ample.

## Export Outlook

Exports of most citrus items from the United States rose substantially in 1972/73. Most fresh citrus export strength was in grapefruit and lemons. Since liberalization of import restrictions by Japan, U.S. exports of fresh grapefruit and lemon to Japan have expanded to 2.6 and 2.7 million boxes respectively. Furthermore, 1972/73 also brought the U.S. citrus industry some new customers from the Communist bloc - Soviet Union and Poland. California lemons moved to the Soviet Union, which purchased 150,592 boxes, and 11,961 gallons of frozen concentrated orange juice moved to Poland for the first time. Repeat sales are probable and exposure to U.S. lemons and frozen orange concentrate may open this market to other citrus products.

Exports of frozen concentrated orange juice to the European Community continued strong during 1972/73. The outlook for frozen concentrate is still promising although foreign competition is steadily increasing.

Key economic forces underlying the rise in U.S. citrus exports in 1972/73 included currency devaluation, and growing market affluence. The steady prices for most citrus items during 1972/73 plus devaluation made U.S. citrus more attractive to foreign buyers. Foreign demand will continue to expand, but this season's reduction in domestic supplies of lemons and oranges will likely contribute to curtailed export volume. Also, grapefruit sales to Japan may slow somewhat even though record grapefruit production is expected in 1973/74.

## NON-CITRUS FRUIT

Deciduous fruit production during 1973 was nearly a quarter larger than the abbreviated crop of last season, but 2 percent under 1971. Much of the increase reflects the substantially larger grape crop this season, up 50 percent from last year's level. Tart cherries were the only major deciduous fruit for which 1973 production was drastically lower than year-ago levels. Although production of non-citrus fruit was generally larger, most grower prices for fresh fruit remained firm to moderately higher than 1972 levels, reflecting strong domestic and foreign consumer demand. The fresh market season is over for most deciduous crops, with the exception of apples, pears, grapes and cranberries.

The 1973 U.S. commercial apple crop at 6 billion pounds, is 4 percent more than last season. The crop in the Western States was big, 36 percent above last year, and more than offset smaller crops in the Central and Eastern States.



Fresh apple movement through December 1 from Washington State was running nearly 25 percent above a year earlier, reflecting the large crop. Processing usage is expected to be down this season reflecting the smaller Eastern and Central crops. The smaller supply of apples for processing use, and very low inventories of all processed apple products caused prices of apples for processing to reach all-time highs this season. The high prices for processing apples have made processors in the Central and Eastern States active competitors for available supplies.

Stocks of apples in storage are nearly 20 percent above a year ago, while exports of fresh apples this season through October are 16 percent above a year earlier. Despite the record crop in Washington, f.o.b. prices for fresh apples have remained high and will continue so the remainder of the season, due primarily to the strong processor demand.

A substantially larger U.S. grape crop, estimated at 3.8 million tons, has resulted in larger storage stocks of fresh grapes this season, greater crushing activity, and larger raisin output. Cold storage holdings at the end of October were over a third above a year earlier. Reported use of California grapes for crushing through November was 2.5 million tons (fresh basis), up sharply from 1.5 million tons during the same period last season. Fortunately for consumers of raisins, this year's production of raisins is expected to total over 200,000 tons, nearly double last year's record low of 105,000 tons.

Exceptionally strong winery and raisin demand created some record grower prices. The highest field price in the history of the raisin industry has been established this season ....with packers agreeing to pay \$700 per ton for Thompson seedless raisins. Winery prices to growers have remained at last year's high level and occasionally higher despite this season's large crop. Shipping point prices for table grape varieties have been moderately lower to slightly above year-earlier levels.

The fall and winter pear crop on the West Coast is nearly a third larger than last year's utilized crop. The average price received by farmers for fresh pears in November was \$179 per ton, down slightly from the previous month but slightly higher than a year ago. The factor which may keep prices firm this season is the favorable market situation abroad. The 1973 pear crop in major exporting countries is slightly less than last year's small crop, while important European markets and Canada, the major importers of U.S. pears, also had smaller crops. Exports of fresh pears from July 1 through October this season were over 50 percent larger than the same period last year.

Despite the return to a more typical crop situation in 1973 and generally larger packs, smaller carryover stocks indicate 1973/74 will be another season of tight supplies for most processed non-citrus items.

Complete carryover and pack data available for canned items so far this season show total supplies are 4 percent below last year's tight supplies. Further, available data for 6 items indicate November 1 California canner stocks are 10 percent lower than last season, while movements from June 1 to November 1 were 5 percent higher this season, indicating a faster rate of disappearance.



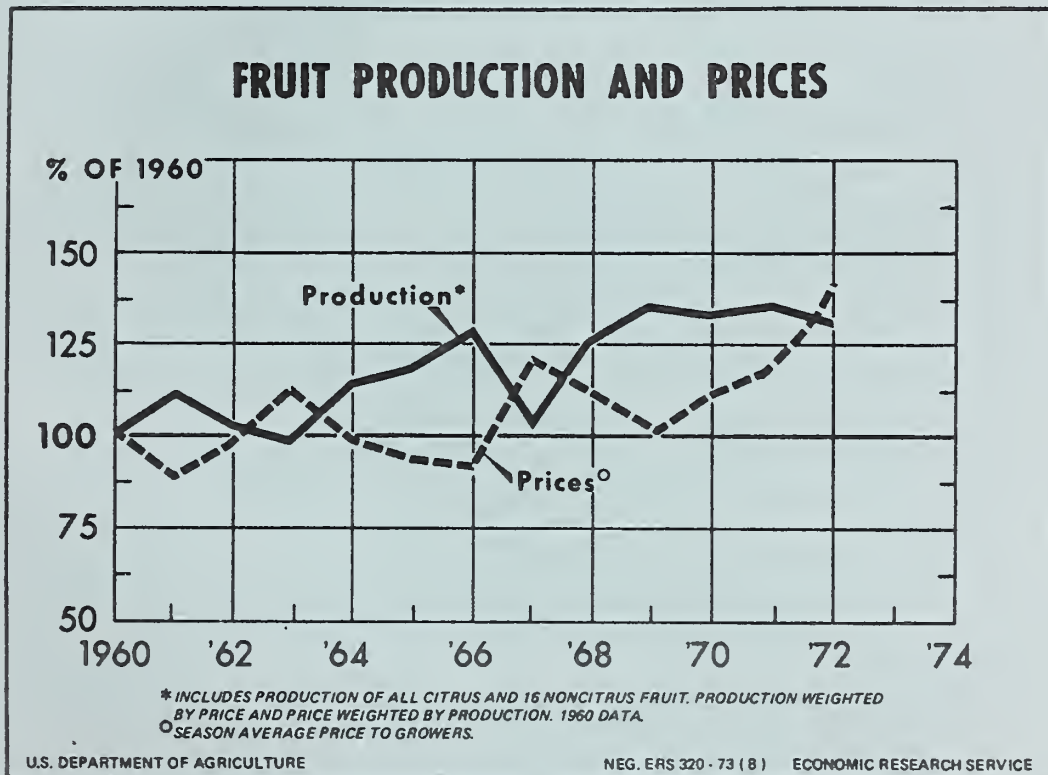
Canners' list prices have been raised reflecting the higher raw product costs, smaller supplies, and increased processing and marketing costs. The market will undoubtedly remain firm with retail prices advancing during the months ahead.

Based on partial data on movement of fruit to processors, the pack of frozen strawberries and blueberries will increase substantially this season. However, total supplies of frozen red cherries, peaches, blackberries, and black raspberries are down substantially. Furthermore, inventories of frozen fruit (excluding juices) on October 31 totaled 537 million pounds, 3 percent less than a year earlier.

Production of dried fruit for the current season was substantially above last season's limited output; but, wholesale prices are moderately to substantially above a year ago and will continue so reflecting strong domestic and foreign demand.

### EDIBLE TREE NUTS

The production of the four major edible tree nuts (almonds, filberts, walnuts, and pecans) is expected to be substantially larger than last season. At an estimated 413,300 tons in-shell basis, supplies this season are a fifth above last year's utilized crop and slightly larger than in 1971.



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Economic Research Service

OUTLOOK FOR COTTON

Talk by Russell G. Barlowe  
Commodity Economics Division  
at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 1:15 P.M., Wednesday, December 19, 1973

CURRENT SITUATION AND OUTLOOK FOR 1973/74

Fast-breaking developments with potentially far-reaching consequences have buffeted the cotton industry during recent months, causing considerable uncertainty and anxiety from one end of the cotton spectrum to the other. With demand outpacing available supplies, prices have skyrocketed to the dismay of many cotton producers who contracted their cotton last winter at relatively low prices. Meanwhile, domestic mills view with alarm the 6 million bales or so of U.S. cotton destined for foreign countries this year, thus limiting supplies available for home use. So mills have been lobbying for restrictions on U.S. cotton exports, some farmers are appealing to courts for relief from contracts, and consumers are complaining about rising prices of clothing and textiles. And now on top on these developments, we are confronted with an energy shortage, the exact impact of which is not at all clear.

The energy crisis has added a new diminution to the competitive struggle between cotton and man-made fibers. Demand for cotton will tend to benefit from limited man-made fiber supplies, which undoubtedly will tighten further because of a shortage of inputs, mainly petrochemicals. Cutbacks in planned polyester production have already resulted in allocation to mills. Further, mill output of man-made fiber goods will slow if fuel supplies to mills are reduced. But production of cotton products will be subject to similar restrictions. In fact, production of raw cotton itself will be jeopardized if farmers can not get enough fuel and fertilizer. Possible consequences of this exceedingly complex situation will be discussed in greater detail later.

Total Use May Slightly Top Output

Before looking at prospects for 1974/75, I want to briefly outline the current situation and outlook for the remainder of this marketing year. We began the 1973/74 season with 4.1 million bales in stocks. The 1973 crop is expected to add another 13.1 million bales, boosting the total supply to 17.2



million, slightly above last year. Disappearance is increasing also as larger anticipated exports of about 6 million bales are more than offsetting about a 4% decline in domestic mill use. Consequently, total expected use of about 13-1/2 million bales exceeds production, meaning slightly lower stocks at the end of this year in comparison with last August (figure 1).

One of the major highlights of cotton marketing this year has been increased forward contracting. Producers reported August 1 they have contracted nearly half their 1973 upland cotton acreage, up from about a third for the previous 2 crops, and about a tenth of 1970 production. In addition, trade sources indicate substantially more acreage contracted since early August, lifting total acreage under contract to perhaps about 10 million acres or around three-fourths of total 1973 acreage. Contracting has been most prevalent in the Delta where about nine-tenths of acreage reportedly has been contracted.

#### Smaller Acreage Limiting 1973 Output

Despite extensive flooding in the Delta last spring which resulted in about a 1 million acre reduction in cotton plantings, the 1973 cotton crop is expected to total 13.1 million bales (based on the December 1 estimate), the second largest since 1965/66. Generally favorable growing and harvesting conditions this season have boosted yields slightly above last season's national average of 507 pounds per acre.

Figure 2 shows the impact of acreage and yields on U.S. cotton production since the late 1950's. With more acreage for harvest and higher yields for the

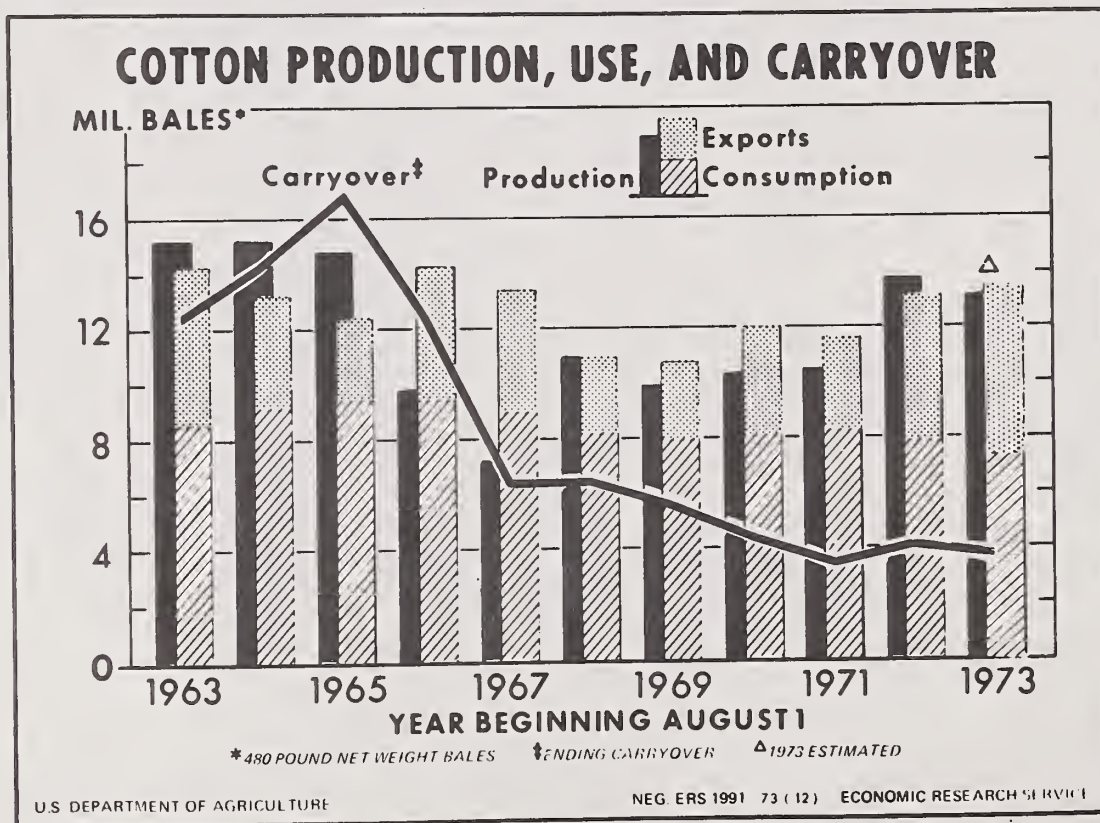
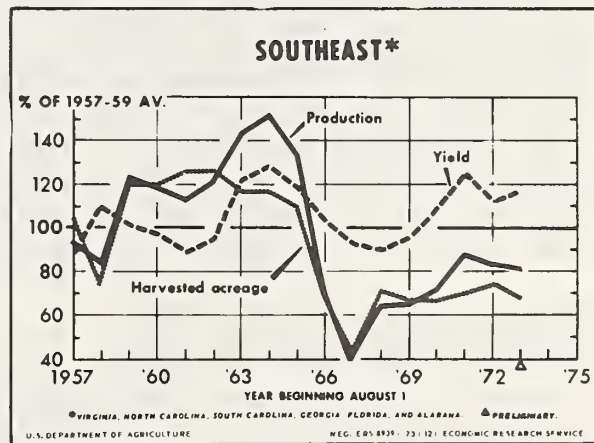
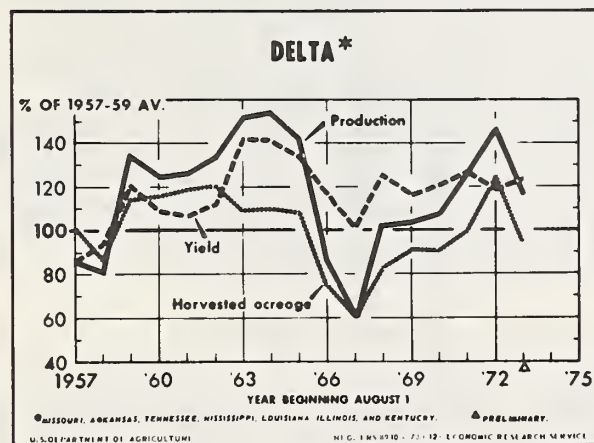
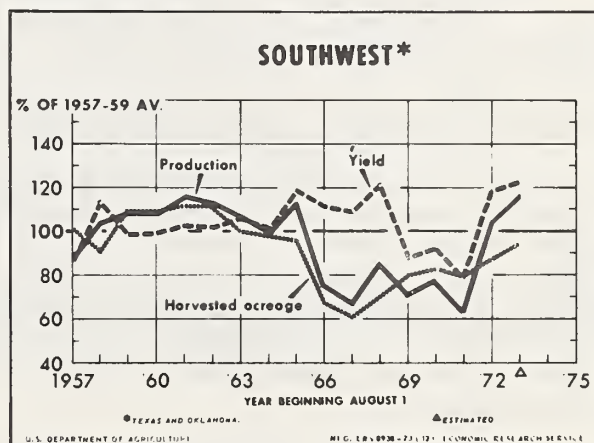
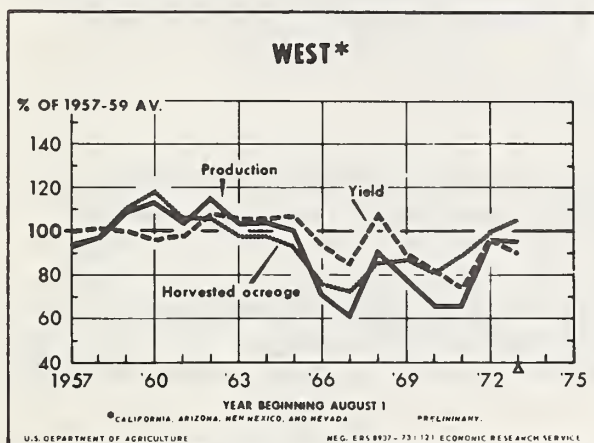
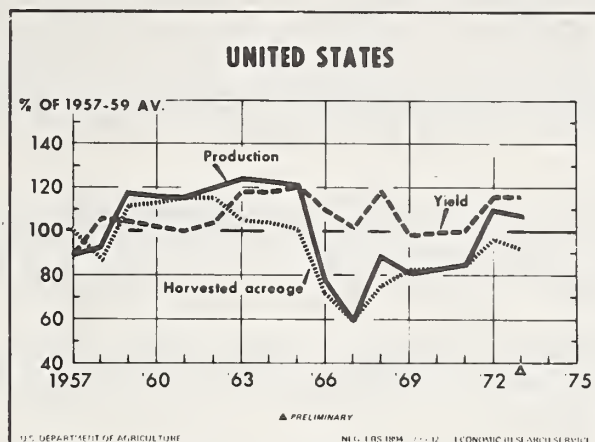


Figure 1

# COTTON: ACREAGE, YIELD, AND PRODUCTION



YEAR BEGINNING AUG. 1

Figure 2



1972 and 1973 crops, output has rebounded sharply from depressed levels of the late 1960's.

Among the various regions, sharp production gains in the Delta since 1967/68 have closely paralleled increasing acreage. A further increase undoubtedly would have occurred this year, barring the extremely wet weather which limited planted acreage. Harvested acreage in this region declined over a fifth in 1973, dropping production to about 4 million bales, lowest since 1970.

With smaller output in the Delta, the Southwest is this year's chief cotton producing region. Nearly two-fifths of the crop is being produced in Texas and Oklahoma, reflecting relatively high yields on moderately larger acreage.

Production in the West is changing little this year as moderately larger acreage about offsets lower prospective yields. Thus, output remains a little below the 1957-59 average.

Cotton production in the Southeast has fluctuated widely since the late 1950's. This year, with smaller harvested acreage, output is down slightly. However, yields are relatively high.

#### Cotton Prices Stabilize at High Levels

With U.S. cotton production buffeted by weather problems and demand subjected to unusual forces from abroad, cotton prices have increased sharply during recent months. However, prices have generally leveled off in recent weeks. For instance, the price of SLM 1-1/16 inch cotton averaged 67 cents per pound in November, down from 75 cents in October, but 40 cents above a year earlier. By comparison, SLM 1-inch cotton prices averaged 56 cents per pound last month, down from 63 cents in October, but 33 cents above November 1972 (figure 3).

Average prices received by farmers for the 1973 cotton crop also increased sharply, although much less than spot market prices. Early crop prices have averaged slightly over 40 cents per pound, compared with about 27 cents a year ago (figure 3). The more moderate increase in comparison with spot market prices primarily reflected the delivery of substantial quantities of cotton contracted earlier at lower prices. Even so, the preliminary value of the current crop is up nearly 50% to \$2-1/2 billion, the highest income since 1953/54 when production totaled over 16 million bales. On top of this, producers received direct payments of about \$0.7 billion, \$0.1 billion less than in 1972.

#### Increased Use of Longer Staples Boosts Disappearance Prospects

With prospects for sharply larger exports during 1973/74, disappearance of U.S. cotton will total about 13-1/2 million bales, most since 1966/67 (figure 1). Foreign demand for some of the medium and longer U.S. staples is particularly strong; exports of cotton stapling 1 inch to 1-3/32 inches are expected to increase sharply. This stronger demand is coming at a time when supplies of these staples are already relatively tight because of reduced production in the



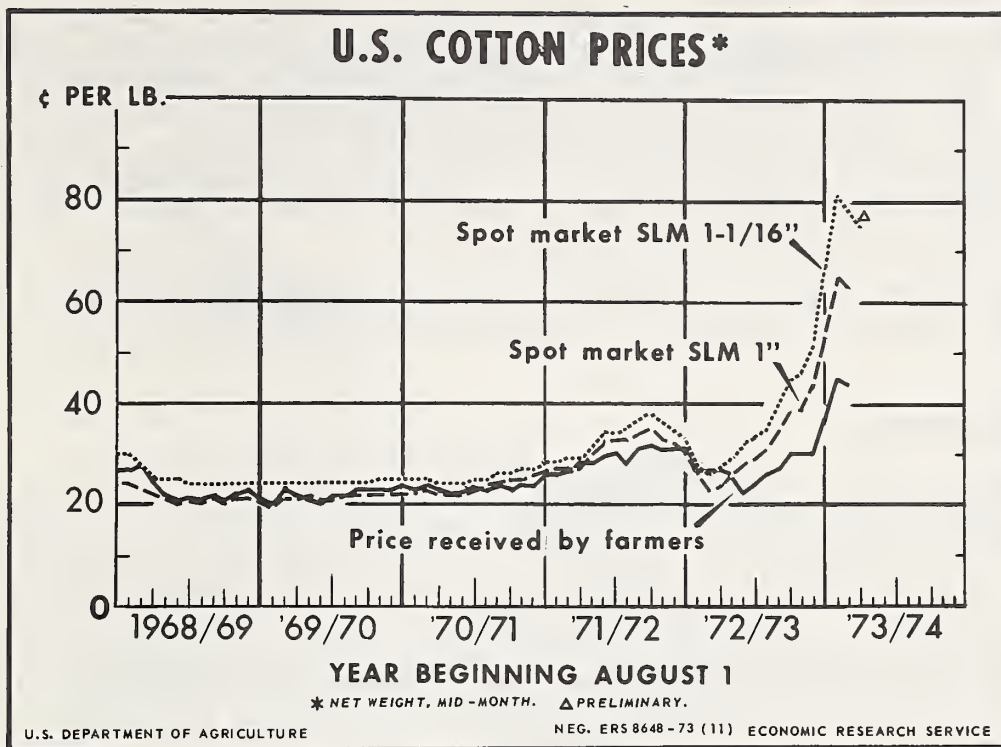


Figure 3

Delta. So this is exerting increased pressure on U.S. mills, as cotton stapling from 1 inch to 1-3/32 inches normally accounts for over four-fifths of domestic use.

### Bright Export Prospects

U.S. cotton exports during 1973/74 are expected to hit a 13-year high of about 6 million bales, up from 5.3 million last year (figure 1). As of early November, U.S. cotton exporters reported they had sold about 5-1/2 million running bales for November-July delivery. This is in addition to the nearly 0.9 million bales shipped during August-October. Although this adds to over 6 million bales, overloaded transportation and merchandising facilities will limit actual shipments between now and the end of the 1973/74 season. Also, the fuel shortage may slow ocean shipping. Thus, some cotton booked for delivery this marketing year probably will not be delivered until 1974/75.

Major factors contributing to increased foreign demand for U.S. cotton include continued growth in cotton use abroad coupled with smaller production in a number of important countries. Increasing competition from food crops led to smaller cotton acreage and reduced production in several major cotton exporting countries. In addition, devaluation of the dollar improved our competitive position in the chief consuming countries.

This season's widening gap between cotton consumption and production in foreign non-communist (FNC) nations illustrates some of the potential for larger

U.S. cotton exports. FNC consumption is expected to increase nearly 1-1/2 million bales above the record 28.8 million used during 1972/73. This partly reflects insufficient man-made fiber production capacity to satisfy demand. In addition, the current energy crunch is further limiting man-made fiber availabilities, particularly in Western Europe and Japan. Meanwhile, cotton production is leveling off in FNC countries at near the year-earlier 27.8 million bales. Thus, 1973/74 FNC cotton use is exceeding output by over 2 million bales, up from 1 million last year (figure 4).

World cotton trade this season may decline slightly from 1972/73's record 20.7 million bales. But the U.S. share may increase to around 29%, up from 26% last year.

### Mill Use Declining

Limited supplies of the medium and longer staples, along with high prices, will slightly reduce cotton use by domestic mills during 1973/74. As shown in figure 5, consumption fell a little below a year ago during the early months of this crop year, and for the year may total about 7-1/2 million bales, down from 7.8 million last year, and 8.2 million in 1971/72. Cotton use would normally be expected to decline much sharper in view of extremely high cotton prices. But competition from man-made fibers is moderating because of their tight supply situation in relation to demand. Consumption of man-made staple fibers on cotton system spinning spindles has leveled off since early 1973 (figure 6).

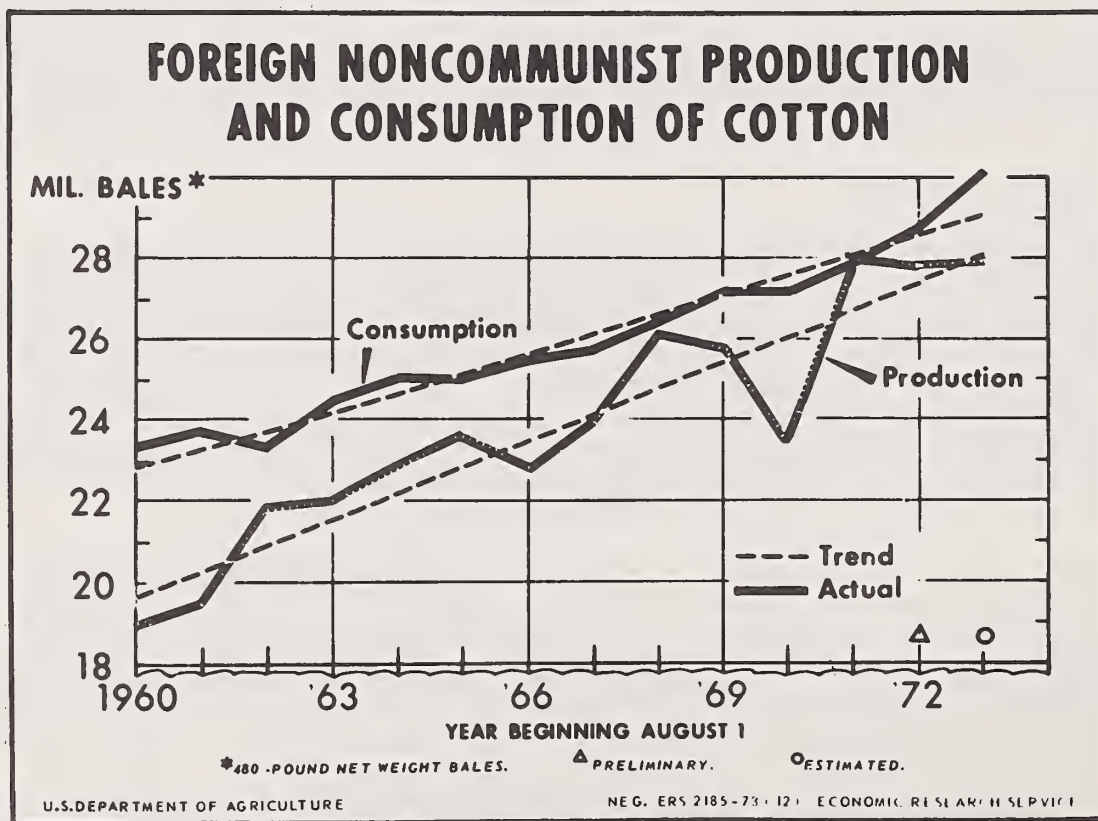


Figure 4

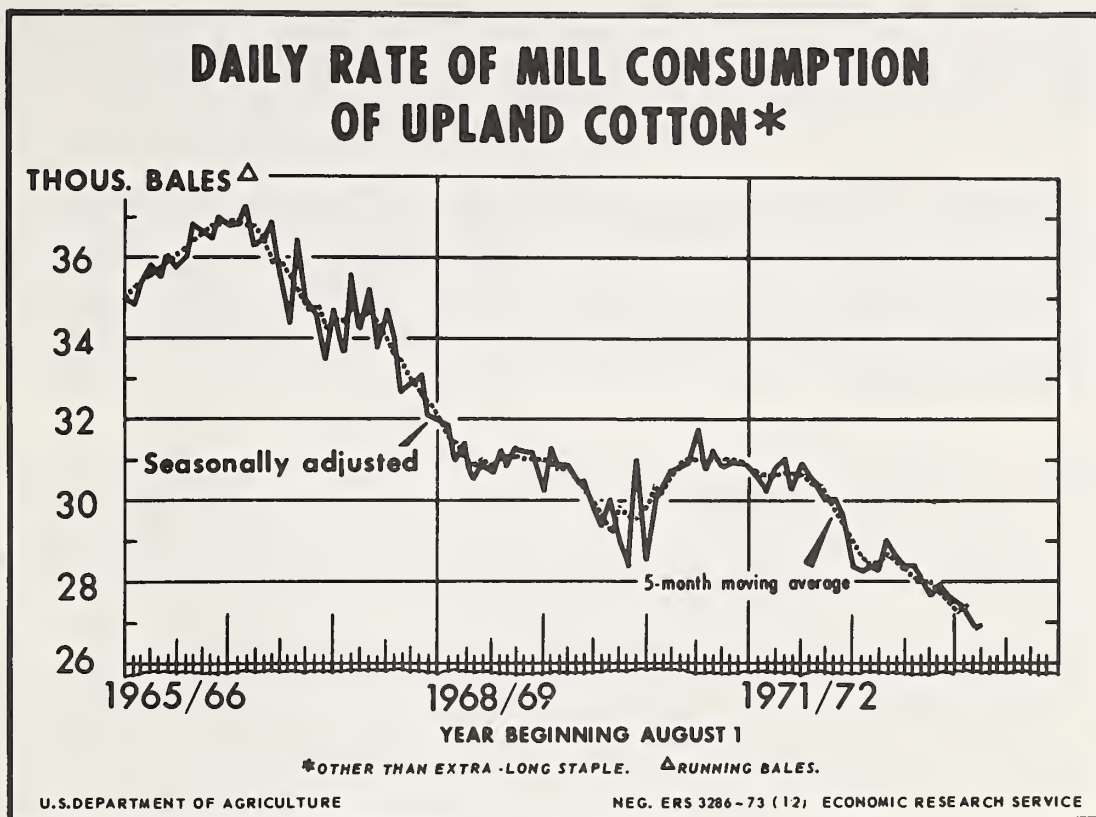


Figure 5

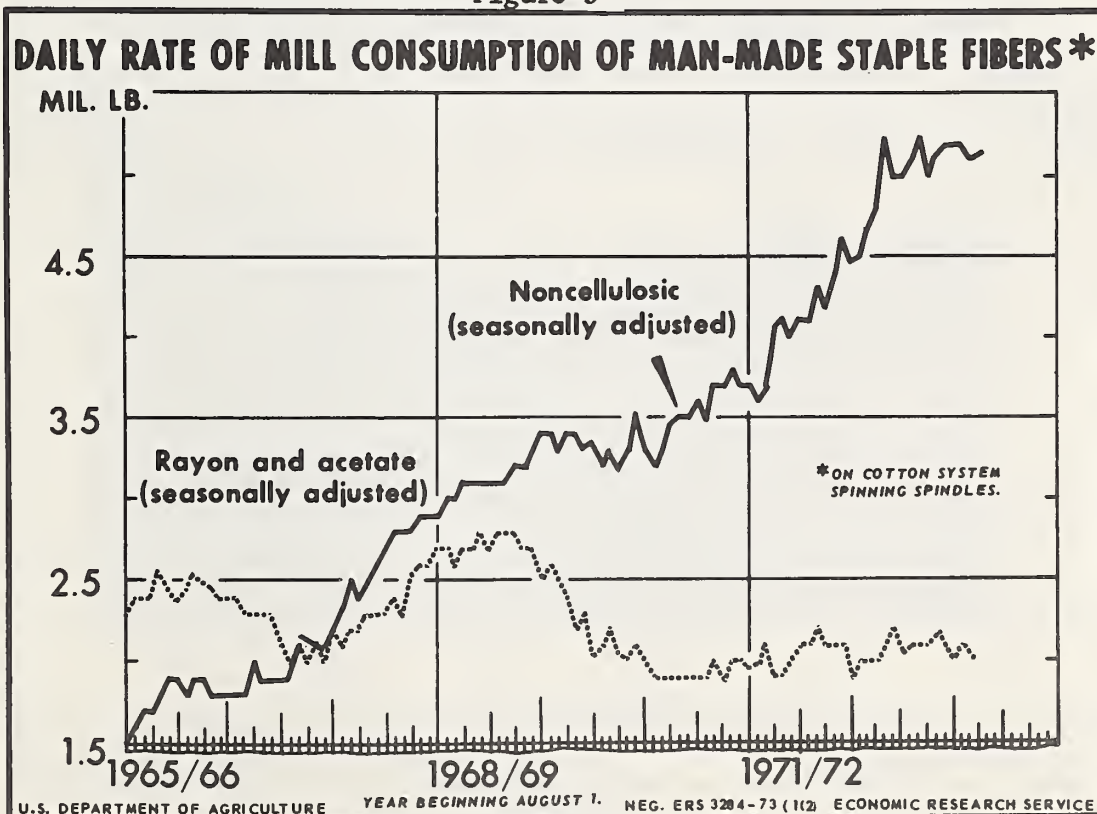


Figure 6



Tightening synthetic supplies reflect reduced availabilities of petrochemical and other inputs and represent a sharp turn-around from the growing, dependable man-made fiber supplies of recent years. Production and sales allocations already are effective for several man-made fibers. Further, textile activity will suffer if the fuel supply to mills is reduced.

But textile activity has been vigorous so far this year. Boosted by increasing use of man-made fibers early this year, total fiber consumption during calendar 1973 may reach about 12.6 billion pounds, nearly a tenth above 1972. On a per capita basis, this breaks down to about 60 pounds per person, over 4 pounds above last year. However, per capita cotton use is dropping about a pound below last year's 18.4 pounds and its share of the market is slipping about 4 percentage points below 1972's 33% (figure 7).

Still, demand remains strong for many cotton products. Fashion continues to favorably influence cotton use. The natural or casual look has increased demand in recent years for 100% cotton fabrics such as corduroy and denim. This year, about 1.2 million bales (over 15% of total cotton use) are being used in the manufacture of these items, double the level just 4 years ago. However, sheeting remains cotton's largest end-use market.

The cotton industry is striving to more effectively compete with man-made fibers through research and promotion. In addition to the approximately \$14 million budgeted this fiscal year from upland cotton producer contributions under the Cotton Research and Promotion Act of 1966, CCC funds of \$3 million

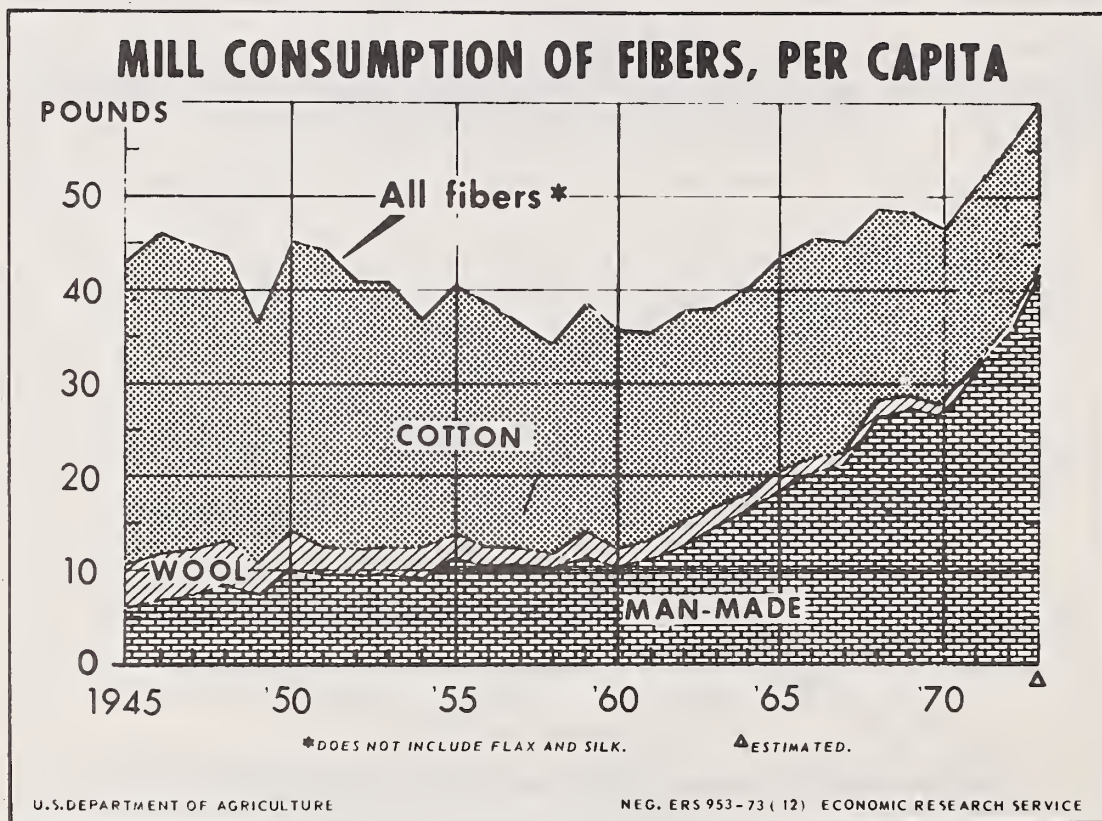


Figure 7

are available for research under authority of the Agricultural Act of 1970. Also, about \$2 million will be spent by Cotton Council International and the International Institute for Cotton for research and promotion.

### Textile Trade Balance Improving

U.S. cotton is facing less competition from cotton textile imports this year. In contrast to annual increases of about 10% over the past 2 decades, imports are declining about a tenth during calendar 1973 from last year's record 1-1/4 million equivalent bales. Meanwhile, cotton textile exports will total moderately above 1972's 0.6 million equivalent bales. Thus, the current year's net import textile trade balance of about a half million equivalent bales is smallest since 1965 (figure 8).

### OUTLOOK FOR 1974/75

The outlook for the 1974/75 marketing season raises many questions: How much acreage will be planted to cotton in view of high cotton prices but possibly limited fertilizer and fuel supplies? Will the weather be more cooperative in 1974? How will the energy crisis affect man-made fiber production and, in turn, cotton use? Will cotton stocks next August be adequate to satisfy domestic and foreign demand for U.S. cotton until the 1974 crop is harvested? How will cotton prices react to these developments?

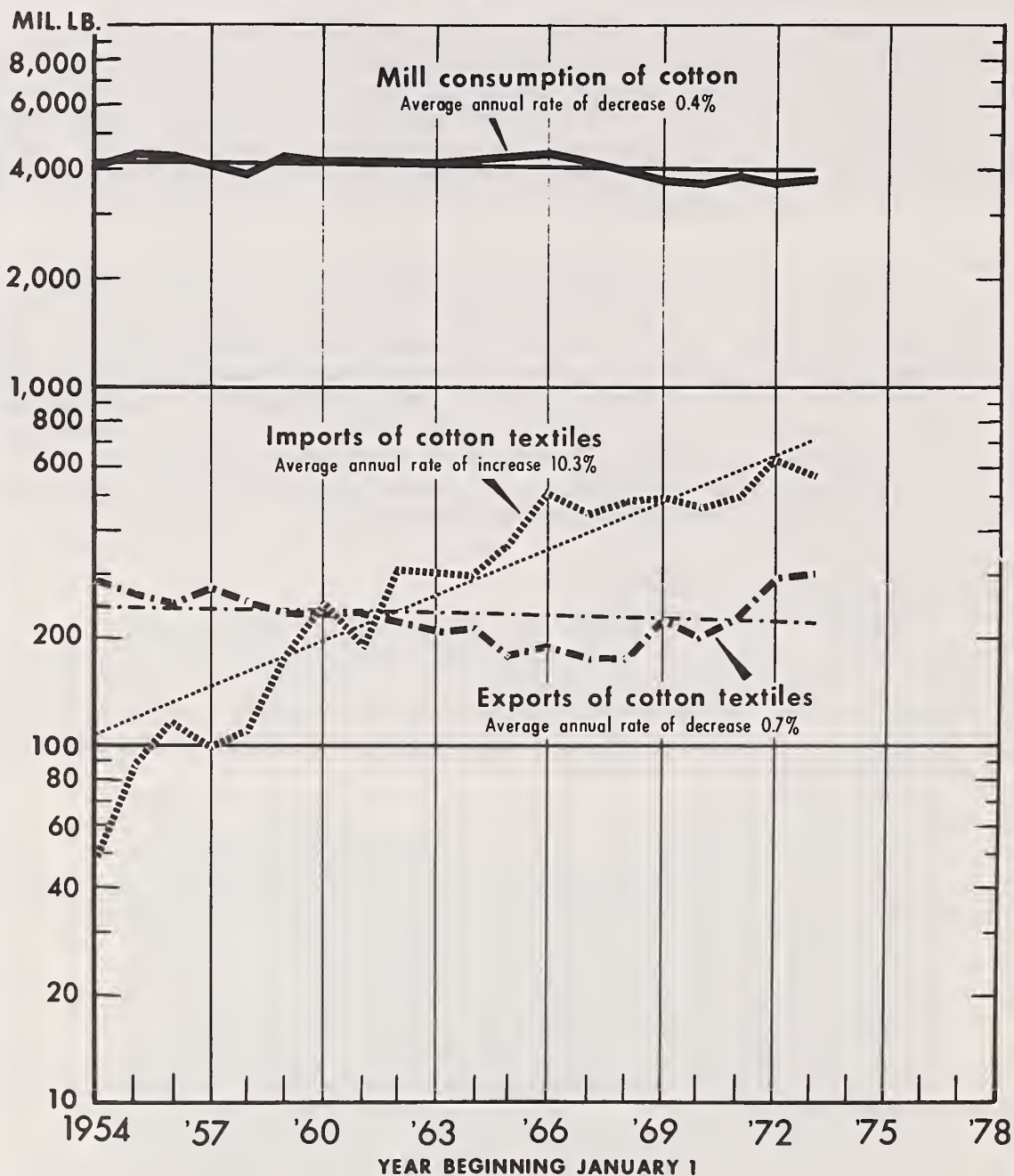
### Provisions of the Agriculture and Consumer Protection Act of 1973

Before answering some of these questions, let's take a look at cotton legislation applicable to the 1974 cotton crop. Provisions of the recently enacted Agriculture and Consumer Protection Act of 1973 apply to upland cotton beginning with the 1974/75 marketing year. Major provisions of the program for the 1974 upland cotton crop include:

- A guaranteed target price of 38 cents per pound.
- A preliminary loan rate of 25.26 cents per pound for Middling 1-inch cotton (micronaire 3.5 through 4.9) net weight, at average U.S. location.
- A national production goal of 14.8 million bales.
- A national base acreage allotment of 11 million acres.
- No cropland set-aside or conserving base requirements as conditions of program eligibility.
- A \$20,000 payment limitation per producer of cotton, wheat, and feed grains.
- Annual Federal authorizations of \$10 million for cotton research by Cotton Incorporated.



# U.S. TRENDS IN COTTON CONSUMPTION AND COTTON TEXTILE TRADE\*



\*TRADE DATA IN RAW COTTON EQUIVALENT POUNDS. 1973 ESTIMATED.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 4381-73 (12) ECONOMIC RESEARCH SERVICE

Figure 8



### Slightly Larger Cotton Supply Likely

Although much uncertainty clouds 1974 cotton production prospects, output could increase moderately and more than offset a little smaller beginning stocks. Thus, the total supply may slightly exceed the current year's 17.2 million bales.

We will probably kick off the 1974/75 season with stocks of about 3.7 million bales, down from 4.1 million last August, but up from 3.3 million carried over in August of 1972. This carryover level should be adequate for domestic and export needs until the 1974 crop becomes available. However, stocks of some of the medium and longer cottons, particularly those stapling around 1-1/16 inches, will be extremely tight. This of course reflects reduced production in the Delta stemming from last spring's flooding and expanded export demand during 1973/74.

Acreage planted to cotton in 1974 hinges on several factors. Expected cotton prices relative to expected prices for competing enterprises, such as soybeans, are perhaps most important. With current high prices for cotton and prospects for lower soybean prices next year, it seems likely that cotton will more than recapture the 1 million acres lost to flooding last spring in the Delta, most of which was planted to soybeans. In addition, acreage planted to cotton could increase slightly to moderately in other areas.

However, cotton acreage and production prospects must be tempered by the availability and prices of production inputs. Supplies of both fuel and fertilizer are very limited. Hopefully, farmers will continue to be given top priority for purchasing these necessities. Even so, prices for these items will be sharply higher in 1974.

Acreage planted to the 1974 upland cotton crop could range between 14-1/2 and 15 million acres if fuel and fertilizer supplies are adequate. This would be highest since 1964/65. Assuming this level of acreage, figure 9 indicates various production levels at different yields per planted acre. The chart indicates, for instance, if yields remain near the average of the past decade or about a bale per harvested acre--meaning about 450 pounds per planted acre--upland cotton production would total 13-1/2 to 14 million bales.

### Demand May Weaken; Stocks To Increase

U.S. cotton disappearance during 1974/75 may not match the current year's expected 13-1/2 million bales, mainly because of smaller exports. Although nearly 2-1/2 million bales have already been committed for export next season, total shipments will probably drop moderately below the 6 million bales expected to be exported during 1973/74. An anticipated increase in competitive foreign cotton supplies is primarily responsible.

The outlook for U.S. mill consumption is guardedly optimistic. On one hand, currently high cotton prices would normally be expected to result in reduced cotton use next season because of increased competition from man-made fibers. However, with man-made fiber production encountering energy-related problems, competition will likely moderate. And mills may turn to cotton for

## 1974 UPLAND COTTON PRODUCTION AT VARIOUS YIELDS

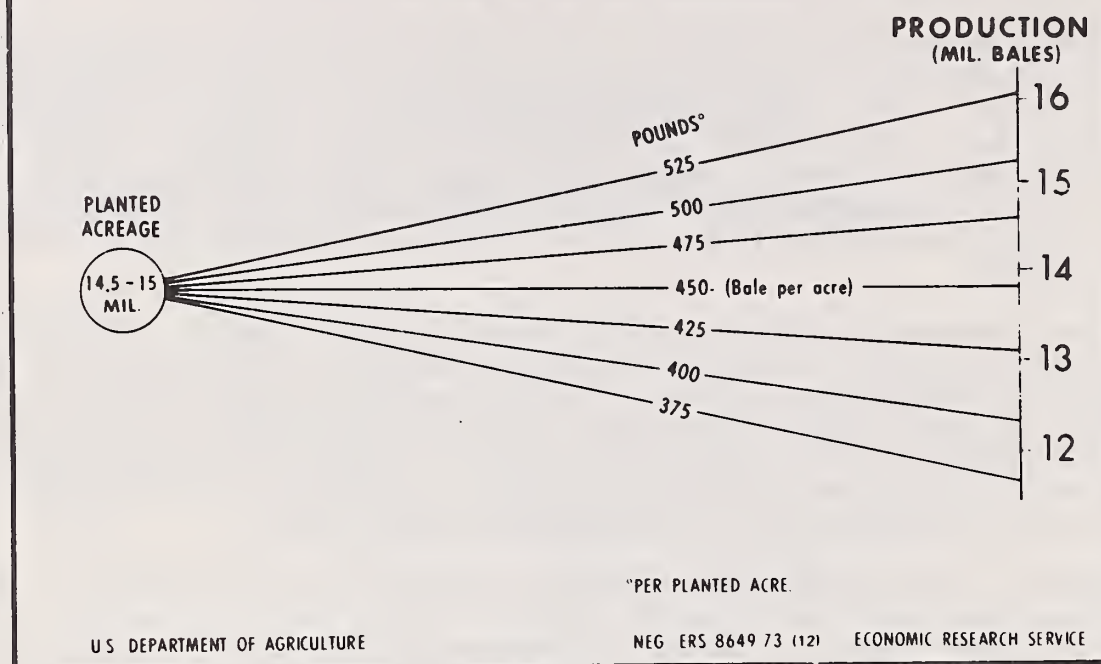


Figure 9

a greater portion of their needs, particularly if prospects point to a lengthy energy crisis. Still, use of cotton along with other fibers will suffer from the likely slowdown during 1974 in overall textile activity. So the net effect may be that domestic mill use of cotton next season may at least match 1973/74's expected 7-1/2 million bales. Certainly the potential exists for larger cotton use during 1974/75.

With prospective cotton disappearance below probable production, stocks will increase during 1974/75. Although the exact increase depends on several imponderables, it is likely that cotton stocks at the end of the marketing year will be highest since the 5.8 million bales carried over on August 1, 1970.

### Forward Contracting -- A Key to Cotton's Future

As mentioned previously, the practice of forward contracting of cotton increased dramatically this year, primarily reflecting greater reliance on the market and less Government involvement in cotton production and marketing. This move to a freer market for cotton may continue, given current legislation and a continuing dynamic cotton situation, meaning that contracting will likely remain a valuable marketing mechanism. Trade reports already indicate substantial 1974 crop contracting in the West. This reflects the fact that both cotton producers and buyers need to plan ahead in their respective operations. "Locking in" a price at an early date gives cotton farmers a tremendous advantage in planning production and securing loans to cover production expenses.

Contracting also is clearly beneficial to mills operating in a highly competitive, forward-ordering industry. As Secretary Butz recently stated, contracting provides "an unusual opportunity for cotton growers to plan their production far in the future. Producers are assured of a firm price for their output and buyers can nail down in advance the supply they need to cover sales already made or in prospect".







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OUTLOOK FOR VEGETABLES

Talk by Charles W. Porter

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 1:15 P.M., Wednesday, December 19, 1973

GENERAL SUPPLY AND DEMAND PICTURE

The U.S. vegetable industry looks to 1974 with more than the usual share of uncertainty. Growers, faced with soaring production costs for all input items, attractive crop alternatives offered by record high prices of major commodities, and scarce energy supplies, find that these factors bring on a whole new set of challenges.

In the processing vegetable sector, combined supplies of canned and frozen are tight, and shipments of many sizes and grades of canned goods are already being pro-rated. Movement through trade channels continues heavy as users know that 1974 packs will be more expensive.

Fresh vegetable supplies currently are on the liberal side with grower prices for lettuce, celery, carrots, and corn prices the lowest in months. However, the fresh vegetable industry is worried about the availability of truck fuel for transporting winter crops out of Florida and California. The majority of fresh vegetable truck shipments are moved by independent operators who are not sure of their fuel sources. In the first six months of 1974, more than 210,000 truck loads of fresh vegetables can be expected to roll, if the past is any guide.

The relatively small fall potato crop will tend to keep farm and retail prices above 1973 levels at least into the spring months. A protein-short world market has pushed U.S. dry bean and dry pea prices to unprecedented highs. It will be early fall 1974 before new crops will be marketed. Prices for some classes in excess of \$35 per cwt. should be expected to bring forth additional acreage in 1974.

## PROCESSED VEGETABLES

Earlier plans for processing vegetables in 1973 suggested larger supplies than what actually resulted. Acreage for harvest of 8 leading vegetables was 10 percent larger than a year ago, but yields have averaged less, and the resulting tonnage is estimated at 10.6 million tons, only 6 percent more. Most of the yield reduction came from tomatoes and peas.

The combined pack of canned and frozen vegetables is moderately larger this season. But the sharply reduced carryover of 10 canned vegetables (including pickles) plus the smaller carryover of 7 leading frozen vegetables leaves a probable total supply for 1973/74 less than 2 percent more than the relatively light supply available for the 1972/73 marketing season, but slightly less than 2 years earlier. This year, these 7 frozen vegetables comprise 19 percent of the total processed supply. This is a slightly larger share than for either of the two previous seasons.

Considering the 10 canned vegetables by themselves, the meagre carryover, added to a moderately larger pack, is yielding a supply about the same or slightly less than for 1972/73. This estimate takes into account snap and lima beans, sauerkraut, corn, peas, pickles, peeled tomatoes, tomato juice, and tomato puree, but excludes catsup, tomato paste, and tomato sauce. In view of the heavy demand expected for canned goods, this means another season of pro-rated orders with buyers not receiving 100 percent of their needs—at least for certain items. Some can sizes may turn out short as well. Canned peas are in especially light supply, and sweet corn probably will be less than expected earlier too, so the substantially larger pack of snap beans is being readily acquired by the trade. Government offers to buy canned vegetables are receiving scant interest or are even being ignored this year. Trade interest in government needs is often a good indicator of market conditions.

With only a degree of difference, the frozen vegetable situation parallels the canned. Stocks of all frozen vegetables on the first of November were 1 percent less than the moderate supply on hand a year earlier. For the seven major frozen vegetables, November 1 stocks were 1 percent more, hardly a burdensome figure. Relatively small differences in stocks suggest continued rapid disappearance and use of frozen vegetables. The 1973 pack of these 7 leading items probably will be reported about a tenth larger than 1972, but as noted previously, the latest stocks report shows this gain is already history.

### Higher Prices - Replacement Supplies to be More Expensive

Because more liberal cost pass-throughs have been allowed since September 10, prices of processed vegetables are likely to rise more in the new season than in the 1972/73 period. For much of 1973, prices of processed vegetables moved up less than fresh. Reasonable prices helped stimulate rapid movement of processed goods. Furthermore, some wholesale buyers and many consumers felt that replacement purchases would be made only at higher levels, giving further encouragement to shipping activity. Advanced ordering is a major consideration affecting the market at present. Continued relatively high meat prices and the need to stretch family food budgets will continue to favor the heavy use of processing vegetables.



Despite strong demand, wholesale list prices for individual processed vegetable items move up in small steps, in sharp contrast to the more volatile fresh market vegetable price movement. This results in part from the processor policy of allocating supplies to customers who may have attempted to book more than their normal requirements especially in these times of tight supply. Allocation assures a little of the more limited items to the supply pipelines throughout the marketing season.

By late October some processors were contracting with growers for 1974 acreage. Contracting activity usually begins in late February for many vegetables. Early contracting activity this year attests to lively competition among crops for land well-suited to growing canning and freezing vegetables. Prices offered growers in 1974 will be sharply higher in nearly every instance. For example, early harvest tomato contracts from the San Joaquin Valley of California are being signed at \$50/ton base price compared with \$34 last year. The higher price refers to July and October deliveries; August and September tomatoes would be priced at \$42.50/ton. This price schedule is offered growers to provide processors a longer packing run in 1974, and to insure enough tomato acreage. Whether this advance in price will attract sufficient acreage remains to be seen, because in that area, growers have a wide choice of crops to plant.

Foreign trade in canned vegetables, while not large, has attracted additional attention this year. Imports of 330 million lbs. from January through October 1973 were about a fifth less than a year earlier. Combined volume of tomatoes and tomato paste was less. On the other hand, exports rose 50 percent in the same period, to 184 million lbs.

#### FRESH VEGETABLES

A somewhat later-than-usual heavy volume of tomatoes from California in November helped to offset lack of supply from other sources compared with 1972. Florida's acreage of tomatoes for winter harvest was reported November 27 at 20,670 acres, 22 percent below the same estimate in 1972. Some addition is projected for later harvest though the total winter production of tomatoes will still be substantially lower than winter 1973. Development of Florida's other crops, important throughout the early months of 1974, is reported good to very good for pole beans, cabbage, and cucumbers. Trade channels can expect good volume deliveries of other items, including sweet corn, green peppers, and lettuce. In California, Imperial Valley lettuce began moving during the first week of December with prices not much above their recent lows. Southern California shipments of tomatoes decreased seasonally with some curtailment the result of retail work stoppages. Transportation availability will more than ever be critical to expected volume shipments from California and Arizona.

The index of fresh vegetable prices received by growers stood at 139 (1967=100) at the middle of November 1973. This figure, down from the index of 145 registered exactly one year earlier, concealed extremely volatile index movement on a month-by-month basis in the January-November 1973 period. The year 1973 opened with a January increment over December of 29 percent, or over twice the



increase observed the two previous seasons. Depletion of onion supplies pushed the mid-April reading to a record 202. May, June, and July overall values retreated modestly to the 185 range and broke sharply to the downside in seasonal fashion in August. The price level recorded for August was further lowered in following weeks, "bottoming out" at the end of September and early October. No year in recent marketing history has been quite as volatile.

Although 1974 fresh vegetable grower prices may continue high compared with recent years, the levels in the first and second quarters of 1974 will probably not equal the overall price index records reached in the same period of 1973. In addition, the volatility of fresh market prices probably will be less than the first seven months experience of 1973. Of course this assumes no weather disasters in South Florida or in California.

Retail prices are expected to demonstrate more rigidity than the indexes reflected in 1973. First quarter 1974 retail prices will probably begin close to those of January a winter ago. The indexes may then edge up slowly through the first and second quarters. On the retail side, consumer demand for fresh vegetables will be strong, though perhaps not the equal of 1972 and 1973.

#### Fresh Vegetable Price Trends

Index of Quarterly Prices <sup>1</sup> Received by Growers - 1967=100						Index of Quarterly Retail Prices <sup>2</sup> 1967=100				
1st	2nd	3rd	4th	Annual		1st	2nd	3rd	4th	Annual
1968	123	113	91	108	109	107	111	102	103	106
1969	109	109	97	129	111	109	113	109	115	111
1970	130	116	101	100	112	121	128	117	109	119
1971	129	132	108	140	127	113	129	121	124	122
1972*	134	129	127	132	131	128	127	129	132	129
1973	173	190	153		168-10 mo.	148	174	171		164-9 mo.

1/ Statistical Reporting Service, USDA Agricultural Prices.

2/ Economic Research Service, USDA "Market Basket". \*Preliminary.

## POTATOES

The U.S. potato industry has moved into another season of brisk marketing activity with fall prices received by growers at their highest levels in years. The U.S. fall crop was only 2 percent larger than the modest 1972 production. In the East, production was off 2 percent, but 4 percent more came from the Midwest. For the 8 Western States, a 3 percent larger crop is being stored, processed, and marketed. Movement to date has been good as the December Stocks Report noted that remaining supplies were 2 percent below a year ago.

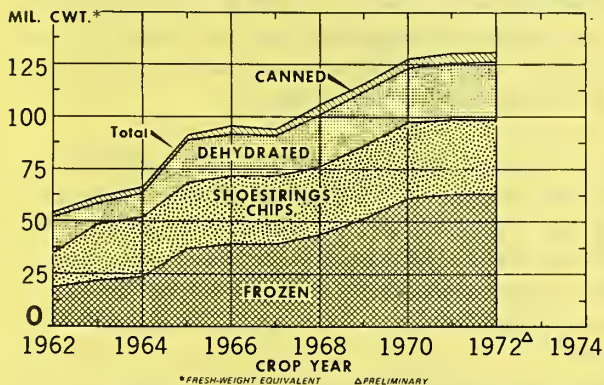
With this modest inventory, grower and shipping point prices in most sections advanced in late November. Late November shipping point prices generally were 40-80 percent above the comparable period a year earlier. Idaho Russets (#1, 2", 4 oz.) were bringing f.o.b. \$7.50 cwt. compared with \$4.81 last year. Maine Katahdins (#1, 2" min.) were worth \$5.75 versus \$3.25 in late November 1972. Average grower prices reported by SRS show sharp differences between Maine and Idaho, a difference at least partly due to the influence of pre-season contracting for processing. For example, the November 1973 Maine grower price was \$4.80 versus \$2.50 last year. Comparable figures for Idaho were \$2.20 and \$2.05.

Stocks of potatoes on December 1 were 2 percent smaller than a year earlier. Declines were most noticeable in the East and Midwest States.

The same report noted that processors in the leading processing States had used 11 percent more tonnage than by December 1 a year earlier. Increased tonnage reflects greater dehydrating activity along with attempts to rebuild frozen supplies.

Stocks of frozen french fries on November 1 were only 332 million lbs., more than a third less than last year. Substantial rebuilding is likely and will be made largely by using potatoes purchased under prior contract.

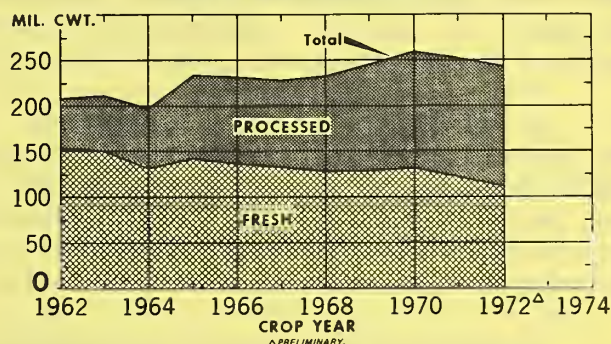
### POTATOES USED FOR PROCESSED FOOD ITEMS



U.S. DEPARTMENT OF AGRICULTURE

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### POTATOES USED FOR FOOD FRESH AND PROCESSED



U.S. DEPARTMENT OF AGRICULTURE

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High prices and reduced stocks of raw potatoes may discourage additional processing activity beyond the quantities already committed to processing. With



restricted travel, some fast food service operators at drive-in locations may see some slackening of sales volume. If the demand for institutional packs of frozen fries is reduced, then demand for the retail sizes could simultaneously increase.

The pack of frozen potato products the first half of 1973 was less than a percentage point higher than a year ago. However, with a larger quantity of raw product going for freezing purposes, the calendar 1973 totals (reported by the American Frozen Food Institute) probably will turn out slightly larger than the indication thus far. A large increase for 1973 is not likely, in view of the modest size of the 1973 fall crop.

#### Price Outlook

With heavy disappearance of the fall potato crop thus far, grower prices are expected to hold strong and show further gains as the storage season progresses. U.S. average prices are likely to hold above the generally good prices of a year earlier. The first chance of a possible price break would come when the late spring crop in California reaches the market. However, potato growers in that State, as well as others across the country, are alarmed by the rapid and continuing rise in production costs. It is difficult to determine whether the current high prices will bring on a surge of production in 1974. Of course, no gain would indeed be surprising. However, there is some feeling that potato land in some States in 1974 may go for other crops (grain, cotton, sugar beets). Such a change may occur where production investment per acre is substantially less than for potatoes or where net returns would still be relatively high, judging from current price levels for these alternative crops. Following this line of reasoning, some acreage gain for 1974 can be expected in Maine and eastern Idaho, areas where less chance of switching to other crops exists.

#### SWEETPOTATOES

With slightly reduced yields this season, the U.S. sweetpotato crop is 1 percent smaller than in 1972. The two major producing States, North Carolina and Louisiana, both have lighter yields and reduced production despite larger acreages for harvest. Reduced production in these two leading States was not matched by the generally larger crops which were harvested elsewhere.

Although the 1973 U.S. sweetpotato crop is only 1 percent smaller, grower prices have been running sharply higher than last year. The November average price received by growers was \$7.00 per cwt., up from \$5.27 in November 1972 and \$4.74 in November 1971. With processing activity strong again this season, prices held up well during the harvest period. The lowest price received by growers in 1973 came in October when \$5.92 was recorded.

The carryover of canned sweetpotatoes was only 534,000 cases 24/303's, well below last year's modest supply. Although canning activity has been brisk again this year, October 1 stocks were 2 percent smaller than a year earlier.



So far it seems that canned supplies may not be much if any larger than the rather limited supplies available last year. This suggests continued strong prices for both fresh table stock and canned packs. Price advances up to 10 percent for canned packs were announced December 1.

#### MUSHROOMS

Retail demand for fresh mushrooms remains fairly strong this season, and market volume is probably at least slightly heavier. For November, grower prices for fresh were averaging about 35 cents (4 qt. basket) less than a year ago.

Heavier domestic supplies of mushrooms for processing, and a weakened trade demand pushed grower prices for clean-cut stock down to 30 cents/lb. at the beginning of the current season. This compares with 38 cents in October 1972 and 46 cents back in 1971 when supplies were tight. By mid-November this year, the market situation had improved and grower prices moved up to 33 cents/lb. This probably reflects some improvement in retail movement in recent weeks. Apparently the effect of adverse publicity on canned mushroom recalls is wearing off. Supplies of canned mushrooms, contrary to much of the rest of the fruit and vegetable industry, are expected to be liberal for the balance of the 1973/74 marketing season. Imports of canned mushrooms between July 1 and November this year were only 5 percent less than the heavy shipments reaching this country a year ago.

#### DRY EDIBLE BEANS

Despite relatively high prices at planting time, U.S. bean growers did not increase their 1973 acreage, probably because other farming alternatives looked better to them at that time. U.S. acreage was off 1 percent. Furthermore, yields were 6 percent less than 1972. The resulting crop of 16.8 million cwts. was one of the smaller crops of recent years. White bean production turned up especially short due to an 18 percent lower yield of the important Michigan crop. Colored bean output was 8.1 million cwts., off 6 percent from 1972, although Red kidneys and Pinks showed individual increases.

Prices for all classes of beans are at unprecedented high levels. The November average price received by growers was \$27.00 per cwt. against \$9.85 the same month of 1972. Season average bean prices of recent years have usually been in the \$7-\$9 per cwt. range. Several factors account for the higher prices in 1973. Domestic demand has been stimulated by high prices for all protein foods. Export demand has boomed because of two dollar devaluations and relatively short supplies in both Europe and Latin America. Unusually heavy export sales during July and August 1973 set the stage for the strong bidding for the abbreviated 1973 U.S. crop. Exports in the new marketing season beginning September 1 through October were 78.6 million lbs., more than double the comparable 1972 figure. With a substantially smaller total supply available for all markets in 1973/74, increased export activity kept pushing the price upward, as the market continues to show strength at the present.

World production of beans was larger this year, but with protein foods in short supply worldwide and with the need to build depleted stocks, the gain did not affect shipments from the U.S.

A similar situation exists for dry peas. A small domestic crop has met strong export and domestic demand. Prices for various classes of peas have set records this year. With high prices for wheat in the Palouse region of Washington and Idaho, it is not certain how much additional acreage would be planted to peas in 1974. More normal yields from an acreage equal to 1973 would result in a larger 1974 production.

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## ENERGY CONSERVATION IN AND AROUND THE HOME

Talk by Glenda Pifer

at the 1974 National Agricultural Outlook Conference  
Washington, D. C., 1:30 p.m., Wednesday, December 19, 1973

The first step toward solving the energy problem is for people to learn that this energy situation is for real and will be with us for years to come. Without this understanding, we cannot move toward solutions to the problem. There is no one solution. It will take the combined efforts of everyone--the consumer, industry, and government. Solutions take time, cost money, and call for sacrifices.

The purpose of these remarks is to point out ways to help the consumer better understand the situation and take the necessary steps to reduce energy consumption.

The United States has 6 percent of the world's population, and consumes 30 percent of the world's energy supply.

Our energy consumption has doubled in the last 15 years. Our use of electrical energy has doubled in the past 10 years. We have reached the point where the demand is greater than the present available supply. This comes at a time when there is also an increased concern to protect the environment.

The major energy sources used today are coal, oil, and gas. Hydropower, nuclear fission, and wood account for lesser amounts of power. Electricity, which is a form of energy, can be produced from any of these fuels. If these fuels are used to produce electricity, they will not be available for transportation, industry, and many other needs.

The energy crunch is forcing all sectors of the economy to evaluate the impact of this shortage, and devise ways to utilize the known sources more efficiently and insure an equitable distribution of energy.



Manufacturers are seeking ways to utilize energy more efficiently. Energy suppliers are working on their end of the problem. Researchers are exploring new sources. In the meantime, the consumer must reduce energy consumption at home along with reductions by industry, business, and government.

Consumers must reduce or eliminate the energy that is wasted in and around the home. We must adjust our standards in everyday living which affect the use of these resources. Fortunately, a reduction in energy used also means money saved. This will help to offset increases in energy costs which are inevitable.

Given the facts, we believe most consumers are willing to do their share to make the necessary adjustments. True, turning off an unnecessary light, turning back the thermostat a few degrees, or turning off the TV won't solve the problem, but it will help. Collectively, consumers doing these and other things will help insure that no one suffers needlessly from lack of heat, lights, or gasoline this winter or in years to come.

Twenty-five percent of our total energy is consumed in and around the home, in offices, hotel, and stores. Approximately 5 percent of the Nation's total energy is wasted in the home. This wasted energy also represents wasted money. Of the 25 percent of energy used, more than half (57 percent) is used for heating living space and 5 percent for heating water. Another 5 percent is used in the operation of home appliances, and the remainder is divided among all other uses including lighting.

These figures do not include energy consumed in our automobiles, whether for business or pleasure. In all, transportation accounts for one-third of our total energy consumption. Energy used in transportation is used at only 25 percent efficiency. This is the reason we are hearing so much discussion about an equitable way of reducing this wasteful use of energy.

I stated earlier that the important point is that we become energy conservation and reduction conscious. Since there are so many ways we use energy in and around our homes, I have selected to group these according to function and then make recommendations for the most efficient use of that energy.

#### Temperature Control in the Home

Since heating space takes the largest slice of the energy pie, let's start here. The most obvious way is to turn the thermostat to a lower setting. We can do more--we can reduce the amount of heated air that escapes and the amount of cold air that enters the house. Adequate insulation will reduce heat loss. Tight fitting storm windows and doors or double-glazed windows and doors will reduce by one-half the heat lost. Each of these practices will pay for itself in savings on fuel and will make

your home more comfortable. Insulation and storm windows will also help to keep cool air inside and warm air outside in the summer. Maintaining a humidity level of 30-35 percent, or in very cold weather about 15 points higher than the outside temperature reading, will keep you comfortable at a temperature a few degrees lower than would be required if the air were drier.

Loose fitting window panes should be caulked. Loose fitting window and door frames should be weather stripped. Unused outside doors could be sealed. Unused rooms should be closed and not heated. Temperature can be further reduced for sleeping if you use an extra blanket. Limiting the use of kitchen and bathroom exhaust fans will reduce the amount of warm or cool air drawn out of the house. Teaching all members of the family to close outside doors quickly will help, too. Heating and cooling systems should be kept in good operating condition. There is a potential energy saving of 10 percent or more if the heating equipment is clean and well maintained. The damper on the fireplace should be closed when the fireplace is not being used. The installation of glass doors on the fireplace that could be closed as the fire burns down could avoid the need to leave the damper open overnight.

If the garage is attached to the house, keep the garage door closed. Closing draperies or lowering window shades at night, or in unused rooms will be helpful, too. Open the draperies or roll up the shades in the daytime where there is a sunny exposure to take advantage of solar heat.

If you are selecting an air-conditioner, select the right size. Generally, a smaller capacity unit operating almost continuously will provide greater comfort with less energy expended than a larger unit running only a fraction of the time. Check the Energy Efficiency Ratio (BTU rating of the unit divided by the Watt rating) which simply means the energy used by an appliance relative to its output of service. The higher the EER of a given size unit, the more efficiently the unit will operate. Recirculate inside air instead of bringing in outside air which needs to be cooled. Keep outside doors and windows closed when running the air-conditioner. Avoid using the air-conditioner if the outside air temperature is reasonably comfortable.

Wear a sweater to be more comfortable at a lower temperature in the winter. Wear less clothing for greater comfort in summer, and maintain a higher temperature setting than in past summers.

As housing decisions are made, serious consideration should be given to the size or amount of essential living space in relation to cost in money, natural resources, and maintenance.

## Food Preparation, Service, and Cleanup

Food preparation usually involves the use of heat producing appliances. A range and one or more portable electric appliances are often used. Generally speaking, appliances which produce heat require more energy than motor-driven or motion appliances. When using the range, start most foods at a higher temperature then reduce the heat to maintain the desired cooking temperature to conserve energy. Use utensils which fit the range burners or surface units. Pans with flat bottoms will absorb more heat. Less heat will be lost in cooking if tight fitting lids are used on pans when appropriate. Food will usually continue to cook 3-5 minutes after the electrical unit is turned off. Place the utensil on the range before turning on the heat.

If using the oven, plan to use it to capacity. When preparing only one item, a small portable appliance may be more efficient.

Unnecessary opening of the oven door lowers the temperature, prolongs the cooking or baking time, and may cause a less desirable finished product. Check the time required to preheat the oven. Preheating is unnecessary for some foods.

Ovens that self clean (pyrolytic method) should be cleaned following use to take advantage of the heat already there. In any oven, the frequency and amount of cleaning may be reduced by using the correct size baking utensils.

Among the appliance alternatives, use the one that is most efficient in utilizing energy. We have a long way to go in learning to effectively use the information now provided with appliances or additional information which may be forthcoming.

Cooking time is reduced in a microwave oven, especially when small amounts of food are cooked. In addition to the shorter time period, no energy is wasted in heating the air or the food container in the oven. If you plan to purchase a microwave oven, compare the efficiency of different models on the market.

Refrigerators and freezers are big energy consumers in the home. Steps can be taken to insure efficient use of this equipment to save energy. If you defrost manually, do it before frost build-up becomes greater than one-fourth inch. Avoid unnecessary opening of these appliances by removing several items for the meal at once. Know what you are looking for before opening the door. Close the door immediately after placing items in or removing them from the refrigerator. Allow foods to cool before placing them in the refrigerator or freezer. If you need to cool hot foods quickly, place the container in cold or ice water. Cooling is faster by conduction than by convection.



If you are going to be away from home for an extended period of time, unplug the refrigerator, empty it, clean it, and leave the door open.

If the gasket around the door should become damaged or otherwise ineffective, it should be replaced. Refrigerator or freezer doors sometimes need to be adjusted so that they close tight. You can test the door fit and the gasket seal by closing the door on a dollar bill. If the bill can be removed, check the gasket and door fit.

There should be a free flow of air around refrigerator or freezer motors and compressors.

If there is a choice for locating the refrigerator or freezer, it should be away from heat sources, such as the range or a hot air register. Since placing food in or removing food from the freezer occurs less frequently, placing the freezer in a location other than the kitchen with a lower temperature would be desirable.

Following food preparation and meal service is cleanup. If you are the fortunate one out of three homemakers, you have a dishwasher to make the job easier. If you do, wash full loads to conserve hot water and operational costs. Don't hand wash the dishes before putting them in the dishwasher.

If you hand wash dishes, it may not be necessary to do it three times a day. Rinse dishes after breakfast; wash the breakfast and lunch dishes together. You may find that you can get by washing dishes once a day, thus saving more energy by using less hot water and less of your time, too.

### Water Heaters

Heating water for various household and personal uses accounts for a large portion of the energy used in the home. A temperature setting to provide water at a minimum of 140° F for the dishwasher and for laundering is essential. Conserving energy can be accomplished more effectively other ways.

The water heater should be located near the area where the hottest water is needed. If the house is large and plumbing is needed at extreme ends, a second water heater may improve the efficiency of the system.

Leaking faucets should be given prompt attention. It is amazing how much water can be wasted this way.

Insulated hot water pipes cut down heat loss along the line. This is especially important if pipes are under the house or run through unheated areas of basement or attic.

Turn off the water heater when the family is away from home for extended periods of time.

### Laundry

A temperature of 140°-160° F is desirable for laundering. If the water heater is set at the 140° F temperature you may need to set the heater higher for a period of time if you have heavily soiled garments to wash. Wash full loads. Avoid unnecessary loads. Do not use longer wash cycles than necessary to get the clothes clean. Cold water rinsing will reduce the amount of hot water needed without sacrificing cleanliness. Avoid over-drying or drying only one or two items at one time.

Eliminate or reduce ironing as much as possible. Don't heat the iron to iron only one piece at a time.

If you use a car to take laundry to a coin-operated laundry, avoid extra trips to conserve both gasoline and your time.

### Home Care and Maintenance

While most people would be delighted if they could skip vacuuming, waxing, polishing, etc., it still needs to be done. Examine your methods and equipment to see that both are efficient. Vacuum cleaners are far more efficient if the dust bag is emptied or replaced frequently. Filters need to be clean to permit good air flow. Some vacuum cleaners have belts and brushes that need to be examined from time to time.

When selecting cleaning equipment, select equipment that will be efficient and useful in doing the type of cleaning you have to do.

### Lighting

Electrical energy requirements can be reduced if lower wattage light bulbs are used where higher light levels are unnecessary. Three-way bulbs and dimmer switches provide flexibility and make it easy to adjust the amount of light according to the need. Turn off lights in areas of the house not being used. You can come home to a lighted house by using a timer to turn the lights on about the time you expect to arrive rather than leaving a light on when you leave the house.

Fluorescent lighting is more efficient than incandescent lighting.

Take advantage of daylight. Do household tasks requiring more light during daylight hours. In some instances, it may help to move a task to a different location--such as moving the sewing machine into a room where there is a sunny exposure. This will take advantage of both the extra heat and light.

As redecorating is done, select light colors which will reflect more light. The use of light colors creates the feeling of more space. This is also advantageous if you are reducing the amount of living space you are heating and cooling.

### Personal Care

Although we enjoy a full tub of heated water for bathing or long hot showers for relaxation, we could manage with less water and still be thankful for it.

Numerous personal care appliances may aid in making personal care easier, better, or less time consuming. Most of them are not large consumers of electrical energy, and are not used for long period of time. However, energy consumption may be reduced by not using these more often than necessary.

### Recreation, Entertainment, and Hobby Appliances

Television, radio, and stereo all use electrical energy, too. Somehow we fail to consider the amount of time these appliances are turned on when no one is really listening or watching. Many a homemaker would welcome some control or rationing here to have a bit of peace and quiet. With the energy shortage, she now has a valid reason.

In summarizing, I have emphasized the need to reduce energy consumption in and around the home. Ways were suggested to show how this could easily be done.

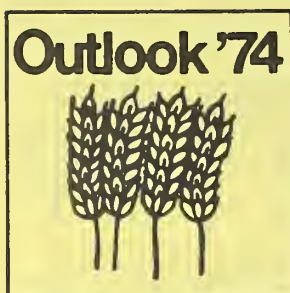
If each household cuts back on energy consumption 5 percent that would be a savings equivalent to supply energy to 2½ million households. We ask you for your support.



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## OUTLOOK FOR TOBACCO

Talk by Robert H. Miller  
Commodity Economics Division  
at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 3:00 P.M., Wednesday, December 19, 1973

The tobacco outlook for 1974 is highlighted by prospects for U.S. cigarette consumption to rise further from this year's record-high level. Trade barriers remain in key markets such as the European Community but our leaf exports are expected to do well. Despite a little larger crop this past season, we can expect another decline in carryover stocks. Prospects are for larger tobacco quotas in 1974, so growers may harvest more tobacco. Cash receipts are expected to gain. Higher production expenses are also expected. Fuel and fertilizer prices already are up sharply. In the months ahead the impact of the energy shortage may grow wider in terms of allocations, rationing, or further price rises.

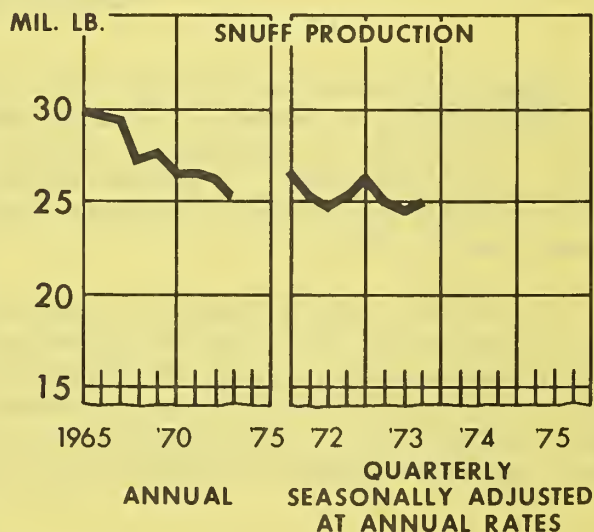
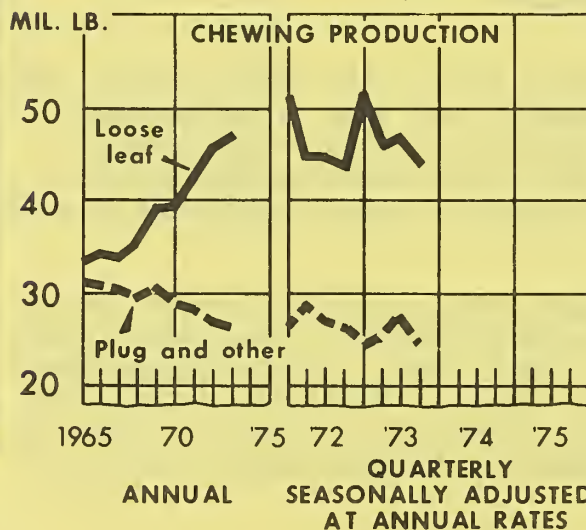
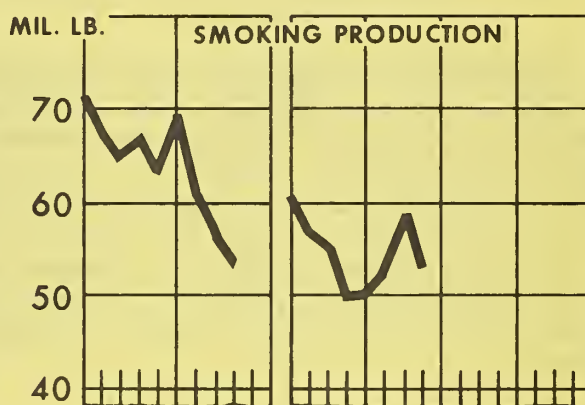
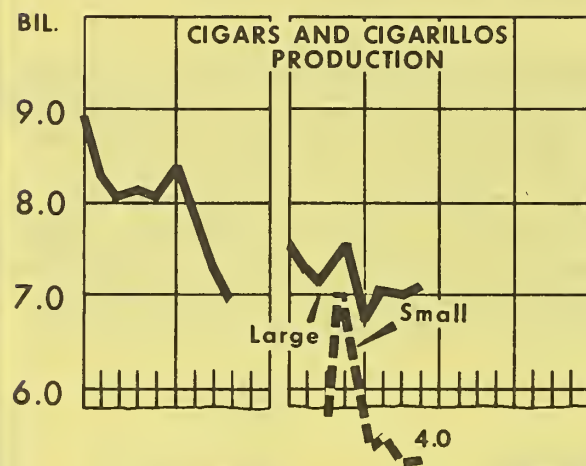
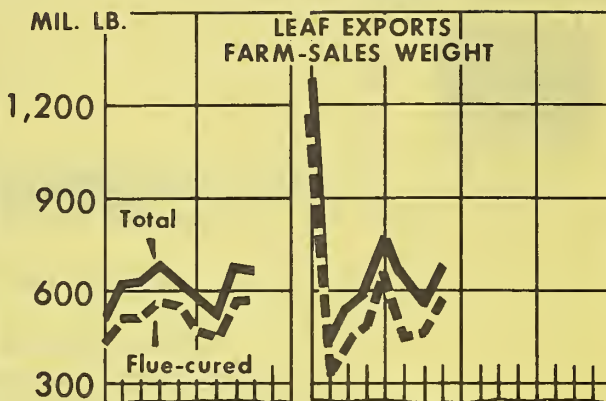
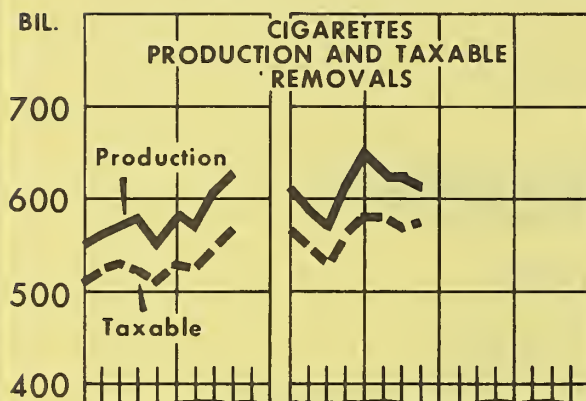
### Tobacco Products

Cigarettes take four-fifths of the tobacco used in the United States. Output should reach a record 630 billion cigarettes this year, 5 percent above 1972. The number of cigarettes consumed per person, 18 years and over, is about 4,130 (206 packs), 2 percent above 1972. Per person use has recovered about one-half the slump of 1968-69. Next year U.S. smokers may smoke more per person than in 1973.

At half the rate of rise for all consumer prices, retail cigarette prices rose 3 percent in 1973, due to increases in manufacturers' prices and in whole-sale-retail margins. Only two States hiked their taxes. With inflation problems continuing, further price increases are likely. State excise taxes currently range from 2 cents per pack in North Carolina to 21 cents in Connecticut. There are more people of smoking age, incomes are trending upward, and anti-

# TOBACCO OUTLETS

## Trends in Manufactured Products and Exports



LAST QUARTER SHOWN ESTIMATED.



smoking publicity remains at a lower level than a few years ago. So consumption may rise further in 1974.

Among other tobacco products, the biggest development this year was the radio and TV advertising ban for small cigars (cigarette size) after several new brands were extensively promoted in 1972. Output probably reached a record 4.8 billion.

For large cigars, including cigarillos, consumption in 1973 is totaling about 6.9 billion, 5 percent below 1972 and one-fourth below the 1964 peak. Cigars from Puerto Rico accounted for almost one-fifth of U.S. large cigar consumption. Consumption per male 18 years and over is about 102 large cigars, 7 percent below 1972. Next year, small cigar consumption will do well to hold its own without the benefit of broadcast advertising. Large cigar use may decline further.

Smoking tobacco output in 1973 is down 4 percent to  $53\frac{1}{2}$  million pounds, a record low. Snuff output is down slightly. Use of these products seems likely to change little.

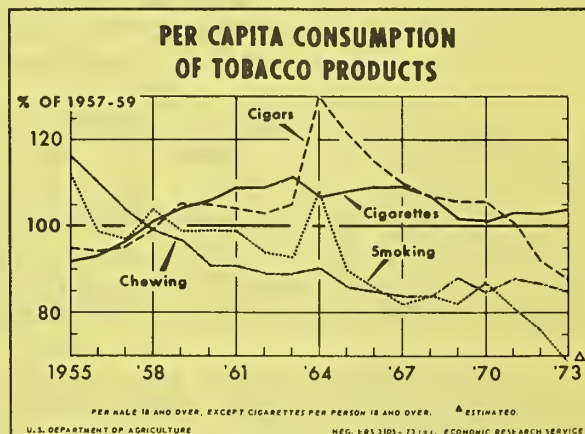
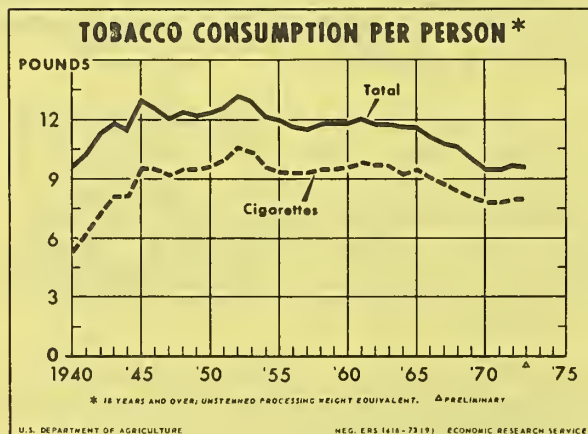
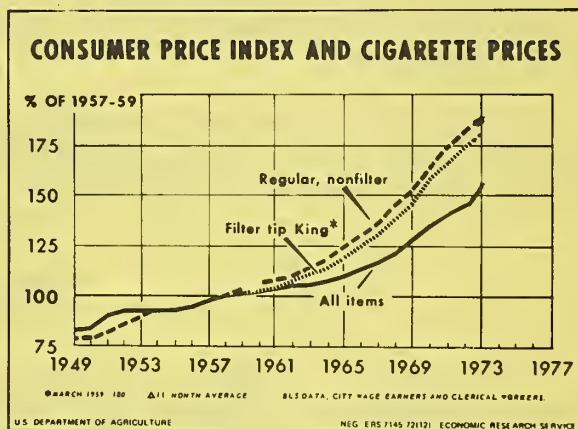
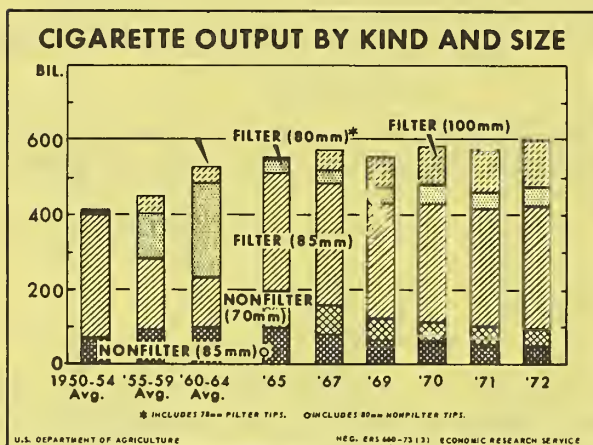
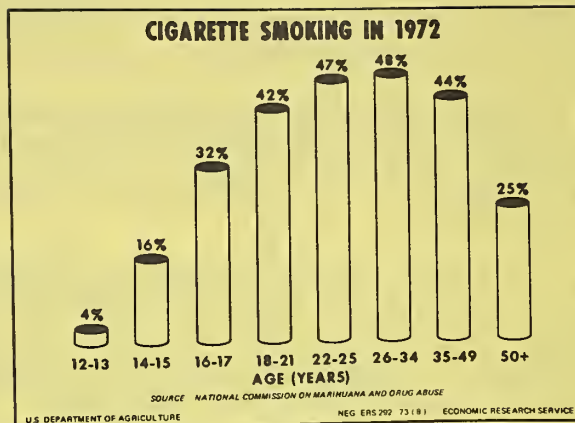
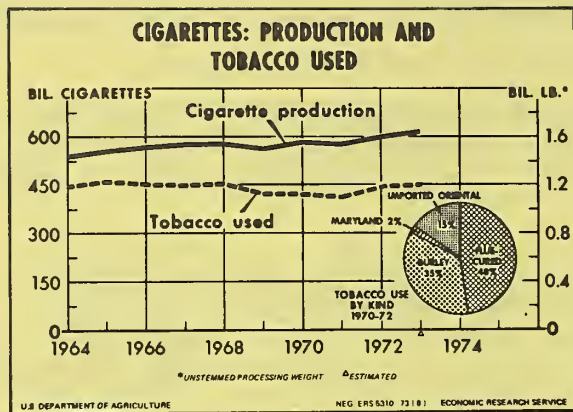
Chewing tobacco output probably reached 73 million pounds this year, 1 percent more than 1972's level. Loose leaf output gained further while production of plug tobacco continued to decline.

### Foreign Trade

U.S. exports of tobacco and tobacco products in calendar year 1973 are setting a record value of around \$950 million. Volume may decline slightly, but average price is up sharply. Both unmanufactured tobacco exports and tobacco products may reach record highs, \$650 million and \$290 million, respectively. In recent years leaf and product exports have taken about one-third of the U.S. tobacco crop. This year U.S. tobacco exports will record about \$750 million in surplus over tobacco imports worth about \$200 million. This favorable tobacco trade balance, along with boosts for other agricultural products, helped offset the country's trade deficit in nonagricultural products.

Unmanufactured tobacco exports in 1973 are expected to total 585 million pounds (640 million, farm-sales weight) compared with 1972's 606 million. Delayed shipments from 1971's dock strike boosted the 1972 total. Exports in 1974 may edge downward from the 1973 level due to tighter supplies. In our major market, the United Kingdom, takings of U.S. tobacco trail 1972. More is going to the original 6 European Community (EC) countries. Japan's purchases from the 1973 crop continued their upward trend.

Before 1966, Rhodesia was our main export competitor. But Rhodesia and the United Kingdom have not settled their political dispute and the U.N. sanctions against Rhodesia continue. However, Rhodesia has apparently disposed of its surplus tobacco and this season Rhodesia's flue-cured quota has gone up 40 per-





cent to 200 million pounds. A crop at this level would still fall short of peak output recorded prior to the economic sanctions. Among other competing flue-cured producers, Canada raised a larger crop this past season, after 1972's short crop. India and Brazil had declines in 1973 output; little recovery is in prospect the next year or two due to competition from other crops.

With rising population and incomes, world cigarette production is on the rise. Also, the preference for blended cigarettes means the demand for light tobacco--primarily flue-cured and burley--is exceptionally strong. Prices for most foreign flue-cured and burley crops have jumped and last year's output expanded. Despite the termination of U.S. export payments and suspension of barter and shortterm credit programs, devaluation of the dollar makes U.S.-produced tobacco more competitive.

The United States is the third largest tobacco importing country. U.S. cigarette and cigar manufacturers blend foreign tobaccos with domestic types. Cigarette leaf (oriental) is the principal kind of import; imports for consumption (factory use) this year may have gained 8 percent to 170 million pounds. In addition, about 12 million pounds of scrap, primarily oriental, and 6 million pounds of imported flue-cured and burley leaf were used.

Cigar tobacco imports are mainly filler tobacco, including scrap. The Philippines and Brazil are our leading sources. This year importers probably brought in about 70 million pounds (for consumption) up 10 million from a year earlier.

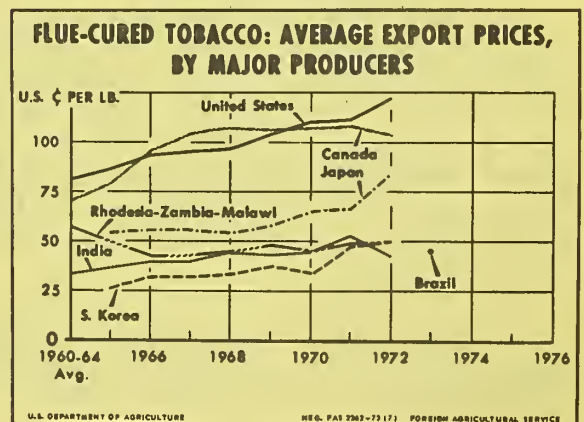
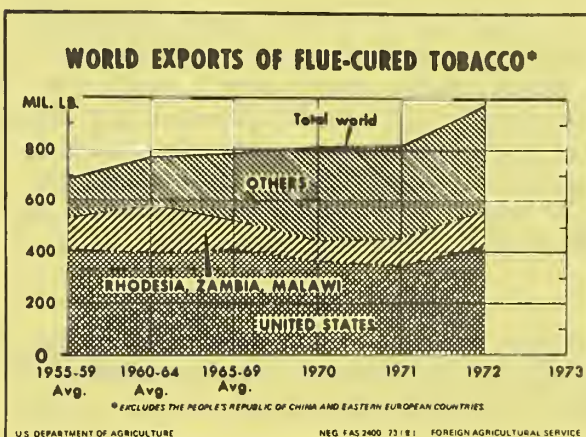
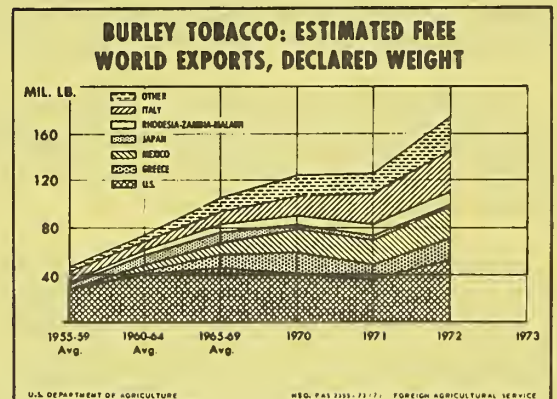
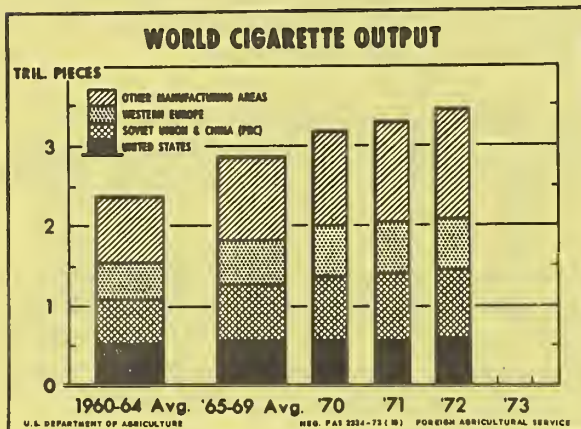
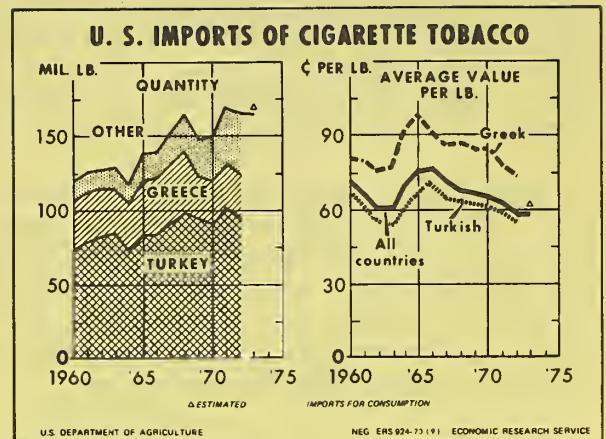
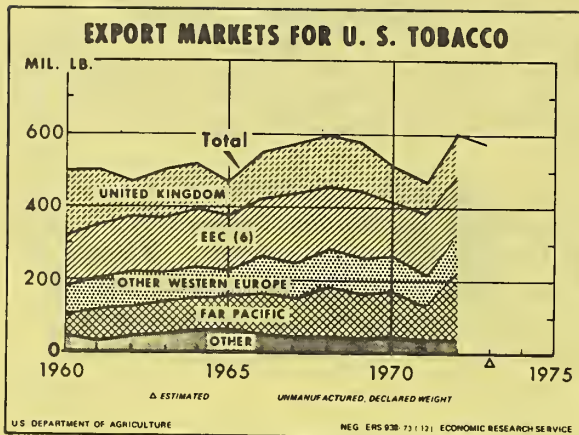
Imports accounted for about 19 percent of U.S. manufacturers' tobacco utilization last marketing year (16 percent for cigarettes and 60 percent for cigars). This high level of factory use will probably continue due to larger foreign stocks in the United States and substantial exportable supplies overseas. Cost of imported oriental leaf is rising, but even including duty, imports retain a sizable price advantage over domestic leaf.

### Leaf Tobacco

The most notable developments for U.S. production in 1973 were increased domestic disappearance, the brisk demand at flue-cured and burley auctions, sizable reductions in loan holdings, and record high crop value. Next year look for higher farm quotas for burley and flue-cured. In total, growers are expected to produce more tobacco. Price support levels will rise, thereby helping growers to obtain prices near the 1973 season's record high. Cash receipts should gain from this year's \$1.6 billion. Production costs are expected to continue upward, probably at an accelerated rate. The big gains will be fuel and fertilizer.

Growers raised 3 percent more tobacco this season. But lower carryover reduced supplies for the 1973/74 marketing year by 3 percent. With a strong auction demand, the smallest volume of tobacco since World War II went under





government loan. The average tobacco price may reach 89 cents per pound, a record high, and 7 percent above the 1972/73 levels.

At the beginning of 1973/74 marketing year, tobacco held under government loan, largely flue-cured and burley, totaled 697 million pounds (farm-sales weight) or one-fourth below a year earlier. Sizable sales for later delivery the low level of this season's burley crop, and rising cigarette output point to another significant decline in loan stocks. By the end of the marketing year, stocks are expected to decline around one-third to the lowest level since 1962.

Government price support is mandatory for tobacco produced under marketing quotas. The legal formula indicates price support levels for eligible tobaccos will go up 8-9 percent next year over 1973. The increase results from a rise in the parity index (a measure of changes in prices paid by farmers, wages paid to hired labor, interest and taxes).

For flue-cured tobacco, despite a larger crop, the reduced carryover means 1973/74 supply is down 1 percent. Growers sold 13 percent more than in 1972. Acreage increased, a tenth and average yield per acre increased 3 percent.

The 1973 flue-cured crop averaged a record 88.1 cents per pound, 2.8 cents higher than the previous year. Quality was about the same, but grade averages were higher. Growers placed  $2\frac{1}{2}$  percent of sales under Government loan, a quantity only slightly above the record-low loan volume in 1972.

Last marketing year, exports of flue-cured (over four-fifths of total U.S. tobacco exports) rose and domestic use gained fractionally; the overall increase was  $3\frac{1}{2}$  percent. For July-October 1973, exports rose a tenth and U.S. cigarette output gained about 5 percent. This season's disappearance may gain slightly from the 1972/73 level and bring carryover down some 30-40 million pounds by next July.

For 1974, under the acreage-poundage program, USDA announced last July the national flue-cured marketing quota at 1,179 million pounds, the same as this year. The base quota plus 1973's net undermarketings gives an effective quota of about 1,230 million pounds, 2 percent above last season's marketings. With the reduced carryover and prospects for a higher level of use than previously estimated, USDA is considering a possible quota increase.

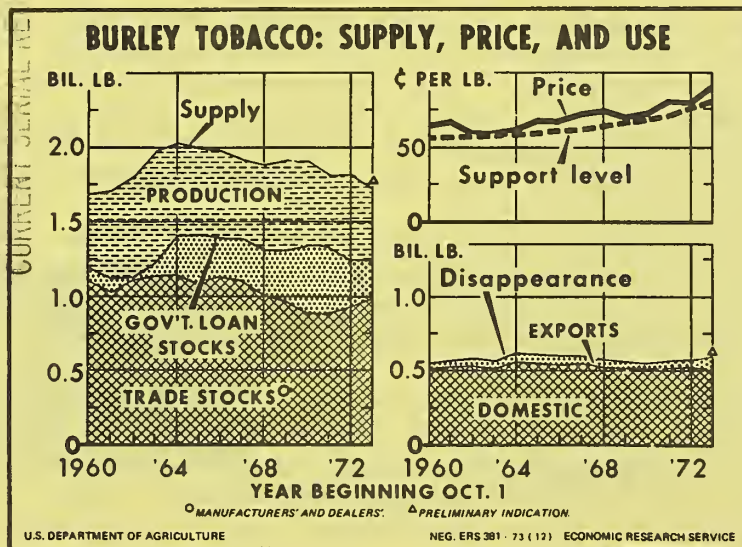
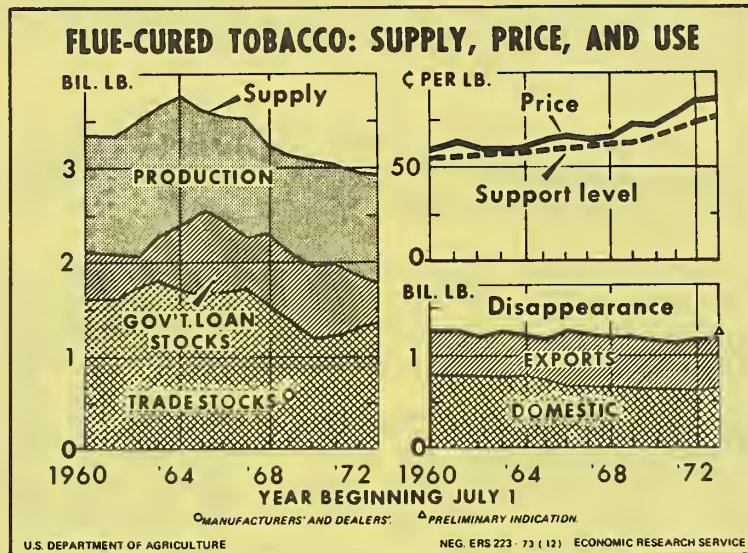
The 1973/74 supply of burley tobacco is 5 percent below last season. Carryover on October 1 was down and adverse weather brought a one-sixth lower crop. The crop is selling for 93 cents per pound, up 14 cents from 1972 and surpassing 1971's record. Loan placements have been negligible.

Burley disappearance gained slightly in 1972/73 with rising use, both domestic and overseas. With cigarette output on the upswing, domestic burley disappearance in this marketing year could rise further. Exports could stay near last season's peak level as foreign manufacturers expand their American type blends. Carryover stocks next October 1 will likely decline sharply.



Burley poundage legislation requires that the national quota be not less than 95 percent of estimated disappearance for that year. With disappearance near the 610 million pounds in 1972/73, USDA may have to increase the 1974 burley marketing quota from last season's 560.5 million pounds. Also, the 1974 farm quota will increase by at least 1973's undermarketings--estimated at 70-80 million pounds.

For other tobaccos, the current marketing year's supplies of Maryland and cigar binder types are larger than last season, while supplies of fire-cured, dark air-cured, cigar filler, and wrapper types are lower. Marketing quotas and acreage allotments for several kinds of tobacco will be announced by February 1.





APR 11 '74

UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service

INTERNATIONAL SUGAR OUTLOOK STILL TIGHT

Talk by Leslie C. Hurt

at the 1974 National Agricultural Outlook Conference  
Washington, D.C., 3:00 P.M., Wednesday, December 19, 1973

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On an international basis, 1974 will be the year of sugar. There are several major actions to be taken that will have much influence on the world sugar situation. Additionally, the supply-demand situation is expected to remain relatively tight. Therefore, the next year will be one for close surveillance. It might be likened to being at a cross-roads, and the turn that is taken will certainly determine whether the proper destination is reached.

The Foreign Agricultural Service made an estimate of 82.3 million metric tons raw value for 1973-74 world sugar production on November 30. This amount would be an alltime record, and reflects favorable weather conditions in most major producing areas of the world. Production may be about 2 million tons above consumption requirements, which is increasing at a rate of 2 to 3 percent per year. Carryover stocks at the end of the 1972-73 year were only about 15 million metric tons, therefore expectations are that the supply situation will remain tight. Substantial production increases for the 1973-74 year are estimated for Brazil, Australia, USSR, Argentina, Mexico, and the Philippines. The largest increases are indicated for the USSR and Brazil. The former had much more favorable weather than in the past 2 years while the latter is undergoing an expansion. Production for 1973-74 in the United States is below that of the previous year as beet sugar production declined.

Beginning in 1974 the International Sugar Agreement will have no economic provisions for the first time in five years. While quotas were suspended for both calendar years 1972 and 1973, there was a supply commitment on a member to member basis. Large quantities of sugar were delivered at a supply commitment price. Such deliveries were largely below the world price of sugar, and of particular benefit to the recipient countries. In 1974, there will be no such shipments and the world trade in sugar will be on a much freer basis.

The Commonwealth Sugar Agreement expires at the end of 1974, and the enlarged EC will be trying to arrive at a revised Common Agricultural Policy for sugar. A primary question to be solved under a new policy is what amounts of sugar can be shipped to the United Kingdom by Commonwealth suppliers. Under the expiring Agreement, the Negotiated Price Quota was 1.7 million long tons. A proposal which has been suggested is that there be a quota for Commonwealth suppliers of 1.345 million metric tons, and that Australia be omitted from the supplying countries. The policy adopted will be of great interest to likely suppliers, especially the West Indies and Guyana sugar producers that have given priority to shipments to the United Kingdom over the years. It will also be of particular interest to Mauritius, Fiji Islands, Swaziland, Congo (Brazzaville) and Malagasy. A fundamental consideration in regard to the amount of sugar the U.K. will be allowed to import under a new CAP is the relative cost of production between cane sugar and beet sugar. Claims of advantage have been made by both producers, and whereas the cane sugar suppliers want to continue to furnish usual amounts to the U.K., there is a desire by France to produce more beet sugar.

Another program which will expire at the end of 1974 is the United States Sugar Act. There is expected to be a consideration of proposed legislation for replacing or modifying the program in the first half of 1974. Whatever program there is will have a profound effect on the international sugar situation. As soon as there are indications of the direction legislation will take, the world market can be expected to react.

The Laurel-Langley Agreement between the United States and the Philippines expires in July 1974. This treaty stipulates that the Philippines can ship 980,000 short tons of sugar per year to the United States. The Philippine quota under the United States Sugar Act has been exceeding this amount in recent years.

The higher world prices of 1972 and 1973 have not resulted in a real investment boom for sugar production. While mill capacity is presently adequate, consideration should be given to building more plants in the next year or two in order to keep up with requirements. Within the past year the International Bank for Reconstruction and Development has decided to grant loans in developing countries for sugar mill construction.

There are many uncertainties facing sugar in the next year. The shape of the international sugar situation will to a large extent depend on international and domestic programs. With the expiration of the International Sugar Agreement, it can be expected that there will be more bilateral agreements on sugar. World trade will probably show little change in the next year, with a big factor being the lower requirements for USSR imports. Nevertheless, 1974 will be the year of sugar and the supply situation will remain tight.